

NEWS: EUROPE

EUROPEAN NEWS DIGEST

Bonn and EU resort to court

The German government and the European Commission have decided to start legal proceedings against each other in the European Court of Justice to resolve the dispute over aid granted by the state of Saxony to Volkswagen.

The economics ministry in Bonn said Germany would launch an appeal to reverse the Commission's decision blocking DM241m (\$182m) of subsidies for two VW plants in Saxony and to establish the legality of the aid under the European Union treaty.

EU card spending may triple

Plastic card spending could triple in Europe over the next three to five years, the Visa International payments organisation predicts.

Typically, the schemes offer motorists substantial rebates on new vehicles if they trade in a model over a certain age. The old car is then scrapped.

Strike hits Air France Europe

A pilots' strike forced Air France Europe, part of the state-owned Air France group, to cancel about 40 per cent of its flights yesterday, the airline said.

Emu 'boosts insolvencies'

Europe's efforts to achieve a common currency by 1999 are boosting corporate insolvencies as governments brake spending, Dun & Bradstreet Schimmelpfeng business information agency said yesterday.

Italy approves phone bill

The Italian cabinet yesterday approved a bill setting out tender details for Italy's third mobile phone operating licence. It will now have to be ratified by parliament.

Spanish jobless down 1.2%

The number of jobless registered at Spain's employment offices fell in August by 27,006, 1.2 per cent month-on-month, to 2,143,783, a total representing 13.5 per cent of the working population.

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EUROPEAN CAR INDUSTRY

Incentives are a hard habit to kick

By Halg Simonian, Motor Industry Correspondent

European car sales have grown more strongly than expected this year, encouraging the continent's largest manufacturing industry and governments which see the motor sector as a bellwether of economic well-being.

The incentives have undergone close scrutiny. Carmakers in the UK and Italy, which, with France and Spain make up four of Europe's five biggest markets, have used their neighbours' programmes to try to persuade their governments to follow suit.

The evidence suggests, however, that incentives are a mixed blessing. Although they boost demand, they pull previously planned sales forward.



models in the compact car class, which has been most stimulated by the schemes, than the French.

source of employment through manufacturing or, to a lesser extent, distribution and after-sales activities.

However, France's experience suggests the benefits may be short-lived. The programmes have helped foreign brands as much as domestic ones.

Summer sales of new European cars surge

By Halg Simonian

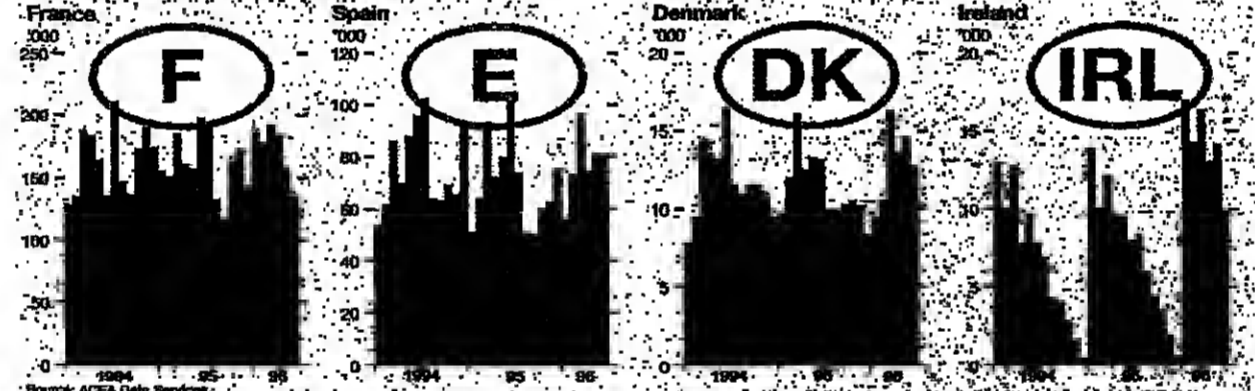
Sales of new cars in western Europe grew more than expected in July and August, with a 16.3 per cent surge in July year on year, followed by a 5.2 per cent increase in August.

Total west European registrations rose to 9,883,400 units in the first eight months of 1996, 6.2 per cent above the same period last year.

up," said Mr John Lawson of Salomon Brothers in London. Mr Chris Will, motor industry analyst at Lehman Brothers in London, underlined the difference between the quality and the quantity of sales, when registrations are largely discount and incentive driven.

August year on year, that took the increase in registrations to 7.4 per cent for the first eight months. However, German demand has been driven by manufacturers' incentive schemes. It may also have been boosted by the springing road tax increases from January 1997 for older cars without catalytic converters.

Passenger cars: new registrations



FRANCE Fears of a sharp downturn

France's latest incentive scheme, offering buyers of new cars a bonus of FF5,000 (\$956) to FF7,000 for trading in a vehicle at least eight years old, is scheduled to end on September 30.

SPAIN Boost for foreign industry

Government cash incentives for Spanish vehicle purchases in 1994-95 played a big role in helping the country's foreign-owned motor industry out of a domestic sales slump.

West European new car registrations

Table with 5 columns: Manufacturer, Volume (1996), Volume Change (%), Share (%), and Share (%). Lists manufacturers like Volkswagen, Opel/Vauxhall, Ford, etc.

West European new car registrations January-August 1996

FRANCE Fears of a sharp downturn

Some observers think the end of the incentives might lead to a pronounced downturn in the last three months of the year in the absence of new measures.

SPAIN Boost for foreign industry

The programme, accompanied by a similar plan for industrial vehicles based on subsidised credit terms, ended in June 1995.

West European new car registrations

Table with 5 columns: Manufacturer, Volume (1996), Volume Change (%), Share (%), and Share (%). Lists manufacturers like Volkswagen, Opel/Vauxhall, Ford, etc.

David Owen David White Hilary Barnes John Murray Brown

Handwritten signature in a box.

Employers push Rome to bring budget in line with Maastricht criteria Italy urged to get in shape for Emu

By Andrew Hill in Milan

Italian industrialists yesterday called on the centre-left government to make "an extraordinary effort" to bring the budget in line with Maastricht criteria on economic and monetary union and improve competitiveness.

Mr Giorgio Fossa, chairman of Confindustria, the employers' federation, warned that Italy needed "strong action" more than just "ordinary [economic] management" which would benefit from not paying "too much attention to this or that political faction."

Fossa was speaking at the seminar to publish the annual economic report by Confindustria's research unit. He suggested that an additional mini-budget would be necessary next spring to bring the Italian budget deficit in line with Maastricht targets.

The 1997 budget has already drawn fire from Reconstructed Communism, the government's hard-left allies in parliament, and Confindustria's report sets the scene for political wrangling over the measures, which should be approved by parliament before the end of the month.

The government is proposing spending cuts and new revenues of L.32,400bn. (821.4bn), based on forecast economic growth of 1.2 per cent this year and 2 per cent next.

Insurers in France may put funds elsewhere

Wider investment prospects seen after monetary union

By Andrew Jack in Monaco

French insurance companies are likely to shift substantial amounts of their investments to other European countries following monetary union, the head of one of France's largest insurers said yesterday.

caution about whether and when monetary union will take place.

French insurers are anticipating a new injection of funds that they manage following fresh government proposals for the creation of complementary pension schemes for private sector employees.

At present, French insurers hold the vast majority of their investments in France to avoid the risk of currency fluctuations, since they are required to pay out on their policies in francs.

Mr Jeancourt-Galignani said that after heavy losses for re-insurers in the early 1990s triggered by a number of costly natural disasters, profits were improving - leading to an increase in capacity and downward pressure on prices.

They also have traditionally held a very high proportion of investments in government bonds, although previous regulations setting limits on this form of investment have been abolished and insurers are increasingly investing in equities.

So far this year re-insurers have been affected by the FF2.1bn (\$410m) fire at the headquarters of Grédyt Lyons in Paris and the DM350m (\$230m) fire at Düsseldorf airport. But existing provisions mean these disasters are unlikely to affect profits of re-insurers significantly this year.

But Mr Antoine Jeancourt-Galignani, chairman of AGF, the recently privatised French group, said yesterday:

"Monetary union brings new possibilities for investments and placements for life and non-life business."

Under President Jacques Chirac's 1997-2002 defence plan, the former head of Peugeot's car division will have no more than FF86bn a year (in constant 1995 francs) with which to buy military equipment.

At the conference yesterday re-insurers expressed scepticism that new forms of financial instruments - notably so-called "catastrophe bonds" - would form a significant alternative way for insurers to underwrite their exposures. However, Mr Jeancourt-Galignani said he believed that they would find a role in the longer term.

This squeeze - more than FF90bn was spent on equipment last year - is partly designed to offset the introduction of slightly higher pay rates to entice volunteer recruits to the French army as conscription is phased out.

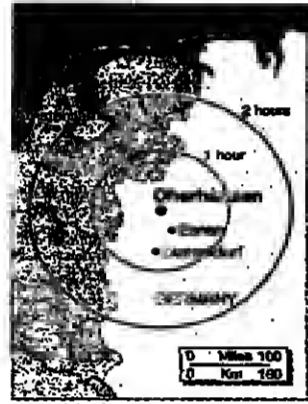
He also said yesterday that AGF might in principle be interested in acquiring GAN, the French state-owned insurer, assuming the price was right, its balance sheets cleaned up, and problems of over-staffing resolved.

President Chirac yesterday gave his approval to the proposals, describing them as "important and courageous" and demonstrating France's will to "maintain and modernise its defence tools".

Germans get Europe's 'biggest' shop complex

By Michael Lindemann in Oberhausen

Time-honoured German shopping habits will be challenged today when Centro - billed as Europe's biggest shopping complex - opens on the site of a former Thyssen steel plant in the Ruhr.



It will also set new standards beyond Germany's borders: many of the 30m or so people who live within two hours of the Centro shopping centre are Dutch and Belgians who, Centro's management hope, will make up about 25 per cent of the shoppers.

The 88 hectare (206 acre) site includes an 11,500 seat concert hall and an amusement park with pirate ships and other features normally reserved for Disneyland.

Germans, who shop traditionally at specialised high street stores which still have very limited opening hours, are now offered what is billed as "the ultimate shopping experience" of walking through an airy shopping galleries filled with music and dotted with eateries.

There is even one of Mr Arnold Schwarzenegger's Planet Hollywood restaurants which, as the company said, are normally reserved for capital cities such as Paris or London.

The developer, Mr Eddie Healey - who was also behind the Meadowhall shopping centre near Sheffield in northern England - hopes that the 200 or so shops and the ambience will set new standards in Germany and produce more than DM1bn in sales.

Together with P&O, the UK shipping and hotels group, Mr Healey has spent DM1.1bn on developing Centro.

The mass of shops is not

Mr Healey says he will create 10,000 jobs in an area where unemployment is 14.7 per cent. He says he has

City centre shops and those in out-of-town developments are to benefit most from the imminent liberalisation of Germany's shop opening hours, the federation of German retailers said yesterday, reports Frederick Stillemann from Berlin. But turnover and jobs were unlikely to be greatly affected by the extending of opening hours, which officially takes effect in November when shops will be able to stay open until 8pm on weekdays and 4pm on Saturdays as opposed to 6pm and 2pm at present.

Mr Hans-Ulrich Predelick, the city planner in nearby Muelheim, said: "The losses are going to hurt a lot. Centro is going to be a considerable burden for all the neighbouring towns."

Mr Burkhard Drescher, the mayor of Oberhausen, admits that surrounding towns like Dinslburg and Gelsenkirchen are "envious". He insists, however, that several studies commissioned by Oberhausen show that Centro will draw away only up to 3 per cent of the retail trade in nearby towns.

already created 6,000 jobs. A further 1,500 are expected at a business park which is part of the complex and has already become the home of Coca-Cola's German headquarters. Another 2,000 jobs, Mr Healey says, will come from the longer shop opening hours which begin on November 1.

Mr Healey also believes that traditional German scepticism about the transition from an industrial manufacturing economy to a more vibrant service sector will be cast aside when people realise that shopping centres can create employment.

However, it comes as no surprise that retailers in surrounding towns, who are still struggling to get through Germany's worst retail recession, fear they will lose business to Centro.

Paris deepens defence reform

By David Owen in Paris

France's sweeping defence reforms were given fresh impetus yesterday with the unveiling of proposals to modify procurement procedures and improve co-ordination between the services as part of the government's drive to rein in costs.

The proposals, which will entail a profound reorganisation of the Délégation Générale pour l'Armement (DGA), the 48,800-strong industrial arm of the defence ministry, also presuppose an increase in defence co-operation with other European countries.

The proportion of France's arms budget spent in co-operation with its partners, principally Germany, the UK and Italy, is to more than double over the next six years to 34 per cent from 15 per cent today.

Mr Charles Millon, defence minister, said the plans would give France a "more effective, more modern and less costly defence".

His remarks came a day after thousands of defence workers took to the streets across France to protest at the government's broader reform plans. Mr Millon said the changes to the DGA included "neither a social plan, nor a site closure nor a restructuring". Staff num-

bers would come down by natural wastage.

Thousands of defence jobs are to disappear at organisations such as the DCN navy shipyards and Giat, the near-bankrupt tank, arms and munitions maker.

The proposals come less than six months after Mr Jean-Yves Helmer was brought in from the private sector and appointed head of defence procurement with the task of improving productivity in French military programmes by 30 per cent over the next few years.

Under President Jacques Chirac's 1997-2002 defence plan, the former head of Peugeot's car division will have no more than FF86bn a year (in constant 1995 francs) with which to buy military equipment.

This squeeze - more than FF90bn was spent on equipment last year - is partly designed to offset the introduction of slightly higher pay rates to entice volunteer recruits to the French army as conscription is phased out.

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Perot chooses obscure running-mate

Reform party's selection of Choate is good news for opponents, writes Jurek Martin

Mr Ross Perot's choice of Mr Pat Choate, the protectionist economist, as his vice-presidential running-mate, says a lot about the Reform Party candidate's campaign for the White House this year. For his supporters, the news is not good.

As in 1992, when he plucked out of retirement Admiral James Stockdale, he has proved unable to attract anybody of substance to his ticket, surely a testament to the idiosyncratic, even dictatorial, approach for which he is renowned.

Having been turned down by at least three past and present members of Congress, he has been obliged to reach into the obscure world of Washington trade think-tanks - and to a man held in such dim regard by most of his professional conferees in the field that their comments are unprintable.

At least Mr Choate, never publicly shy, has been close to Mr Perot for some time. He attracted attention with his 1991 book, *Agents of*



Ross Perot (left) listens to his running-mate Pat Choate address supporters in Dallas

Influence, which accused Japan of trying to suborn the US government at every level through the use of lobbyists, part of its alleged strategy to supplant the US as the leading global economic power.

The two then co-operated on another volume two years later, hyperbolically titled *Save Your Job, Save Our Country*. It was intended to whip up opposition to the two major trade treaties, Nafta and Gatt, but to no avail since both were approved by the Congress.

Those legislative votes were indicative of the fact that US protectionism has a far more limited appeal as an electoral issue than its noisy protagonists care to acknowledge. Congressman Richard Gephardt of Missouri got nowhere with this platform in his abortive run for the Democratic presidential nomination in 1998 and neither has Mr Pat Buchanan in two tries at the Republican prize.

The rightwing polemicist did make a fleeting mark with his America First economic nationalism, more so this year than in 1992, but it drew backing only from a fragment of disoriented blue collar workers and doctrinaire conservatives. Mr Buchanan toyed with the idea of hooking up with Mr Perot, or forming his own party, but has now recon-

ced himself to remaining a Republican for the moment.

Mr Choate, 55 and bearded, grew up in Maypearl, Texas, not far from Mr Perot's current base in Dallas. He earned a graduate degree in institutional economics from the University of Oklahoma and worked for the state governor before becoming a federal civil servant in the 1970s and a prolific author ever since.

But, beyond ideological consistency with the candidate and a greater polemical flair than Admiral Stockdale, it is hard to see what Choate brings to Mr Perot's flagging effort, now down to the 4-8 point range

\$5bn programme to protect banks from liquidity crises

Argentina steps up precautions

By Stephen Fidler, Latin America Editor

Argentina's central bank expects by the end of the month to complete a \$5bn standby financing programme for international banks as insurance against a repeat of last year's run on the banking system.

The aim is to protect banks from liquidity crises such as that triggered last year by Mexico's surprise devaluation, which caused \$8bn, or 18 per cent of total bank deposits, to flee the financial system.

Mr Pedro Pou, the central bank president, said that 16 international banks bid to provide \$7.4bn of standby financing over periods of between two and five years. Legal documentation was now being drawn up.

Initially, the central bank thought \$3bn would be enough to counter a run on the banks of the magnitude encountered last year, but the marginal cost of accepting a further \$2bn of commitments was small. This enlarged programme should have a sufficient impact on confidence to alleviate a crisis in the first place, said Mr Pou, who was in London yesterday.

Argentina's central bank is limited in its ability to act as lender of last resort to participating banks by a currency board arrangement that requires its monetary base to be backed by international reserves.

The central bank has already instituted a deposit insurance scheme and changed its rules over reserve requirements. Raising domestic banks' already high liquidity requirements - currently 16.1 per cent of deposits - would be one option to provide further

support to the banking system, but would have the drawback of reducing banks' inclination to lend in a recessionary economy.

The central bank would pay an annual commitment fee of an average 0.3665 per cent to keep in place \$5bn of finance. If drawn, the money would be lent under securities repurchase agreements and would cost an average 2.025 percentage points over London interbank rates.

The lending banks, led by Chase of the US which offered \$1.5bn, would hold the collateral. The market value of the collateral held would be 20 per cent higher than the money lent, and the amount of collateral would increase further if the value of the securities declined. Societe Generale of France offered \$1bn. Some \$7.5bn of valid collateral is held in the Argentine financial system.

The 16 potential lenders are entirely from the US and continental Europe. British banks, discouraged by the high provisions the Bank of England still requires on loans to Argentina, did not bid.

Mr Pou said the central bank had been concerned not to restrict the future willingness or ability of participating banks to lend more to Argentina, and believed it had achieved this by structuring the financing as a capital markets operation. This should minimise, he said, the effect on banks' country limits for Argentina.

"We gave a lot of thought to the structure of the financing so as to ensure that the banks used up very little of their capital requirements and their Argentine country risk limits," he said.

Dole hopes to step back from the brink

By Patti Waldmeir in Washington

Mr Bob Dole yesterday sought to ease mounting panic among congressional Republicans at the prospect of a large Democratic victory in the elections on November 5.

Struggling off his low standing in opinion polls - which put him up to 20 points behind his Democratic rival, President Bill Clinton - Mr Dole told a pep meeting of House and Senate Republicans: "Don't worry about this election. We're going to win."

Both Mr Dole and his exuberant running mate, Mr Jack Kemp, drew standing ovations and boisterous applause from the assembled Republicans. But Congressional Republicans are painfully aware that Mr Dole will have to make a comeback of historic proportions to defeat Mr Clinton, overcoming an opinion poll deficit larger than any bridged successfully by a candidate since the second world war.

So there was a note of desperation to the tone of Mr Trent Lott, the Senate majority leader, when he insisted yesterday that this could be done: "The numbers will rise. Mark my words, the numbers will go up," he said. For his part, Mr Dole stressed that the 54 remaining days of the campaign were "a long time in politics". He drew a parallel with his successful recovery from a near-fatal war wound, quoting a 1948 letter to his father from the Army hospital where he was treated for his wounds, say-

Haiti privatisation go-ahead paves way for foreign aid

Haiti is expecting just under \$200m in foreign aid following parliamentary approval of the privatisation of several state enterprises, *Carante* James reports from Kingston. The funds will be released when the sell-off begins, government officials said yesterday.

The privatisation and trade regulation and civil service reforms were agreed more than two years ago by the government with foreign donors and creditors. The changes were controversial, however, leading to the resignation of the prime minister last year.

Several months of filibustering ended late last week when the lower house approved privatisation but it is not yet clear which company will be offered for sale first. A cement plant, a flour mill, electricity, water and telephone companies, and ports and airports are listed to be sold.

"Everyone is now looking at us to see if we are serious about this, and we intend to indicate our decision by moving quickly to offer at least one entity," a government official said yesterday.

Haiti is scheduled to receive \$108m from the World Bank which government officials say will be used together with funds from the US Agency for International Development to close a \$125m budget deficit. There will be a further \$70m from the IMF, the US and the European Union for debt relief, civil service reform, trade reform and the development of agriculture. Donors and creditors have committed about \$1.2bn for Haiti over three years.

Guatemala's fighters from both sides discover politics

Last month a military helicopter weaved between the mountains to bring Brigadier General Sergio Camargo to the small rural Guatemalan town of Colotenango. The general was handed 60 Mauer rifles as a ragged line-up of former peasant militia held placards proclaiming "We thank the Guatemalan army for steering us to peace".

The ceremony inaugurated the Guatemalan army's national plan to demobilise the notorious Civilian Self Defence Patrols. For 14 years the patrols were central to counter insurgency policy and military control of rural communities nationwide.

They also attracted the spotlight of international attention for their part in the massacre of thousands of peasants considered potential guerrilla sympathisers by the army.

The Guatemalan government-military negotiating team and the leftwing URNG guerrilla commanders recently issued a joint declaration committing themselves to signing 35 years of armed conflict into history before the end of the year.

In the meantime, with a ceasefire already in place since March, both the military and the guerrillas are already immersed in the task of reselling themselves to a peace-time audience.

"As a soldier I am grateful for your collaboration and co-operation... history will always value you," Gen. Camargo told the patrolers.

But the general, one of the best of moderates that has dominated the military high command since February, also made it plain that peace meant the services of the patrols were no longer needed.

In the early 1980s there were 1m patrolers, but as the intensity of the war subsided to their current level of 250,000. No longer accused of slaughtering hundreds at a time, they are now better known for intimidation and the occasional assassination.

Three years ago in Colotenango Juan Uruñanay was shot dead during a anti-patrol demonstration. The case is currently before the Inter-



For 14 years the Civilian Self Defence Patrols were central to counter insurgency policy

Army and guerrillas are starting to sell themselves to a peace-time audience, writes Johanna Tuckman

main university campus and local indoor markets.

The speeches and the pamphlets delivered, the combatants of Central America's last remaining guerrilla organisation disappear as quickly as they surfaced, without a shot being fired.

The DJ at the capital's central market, named Sergio, was operating as usual when two young urban guerrillas wearing dark glasses came into his telephone boxed booth. They told him there would be no trouble if he played a propaganda cassette.

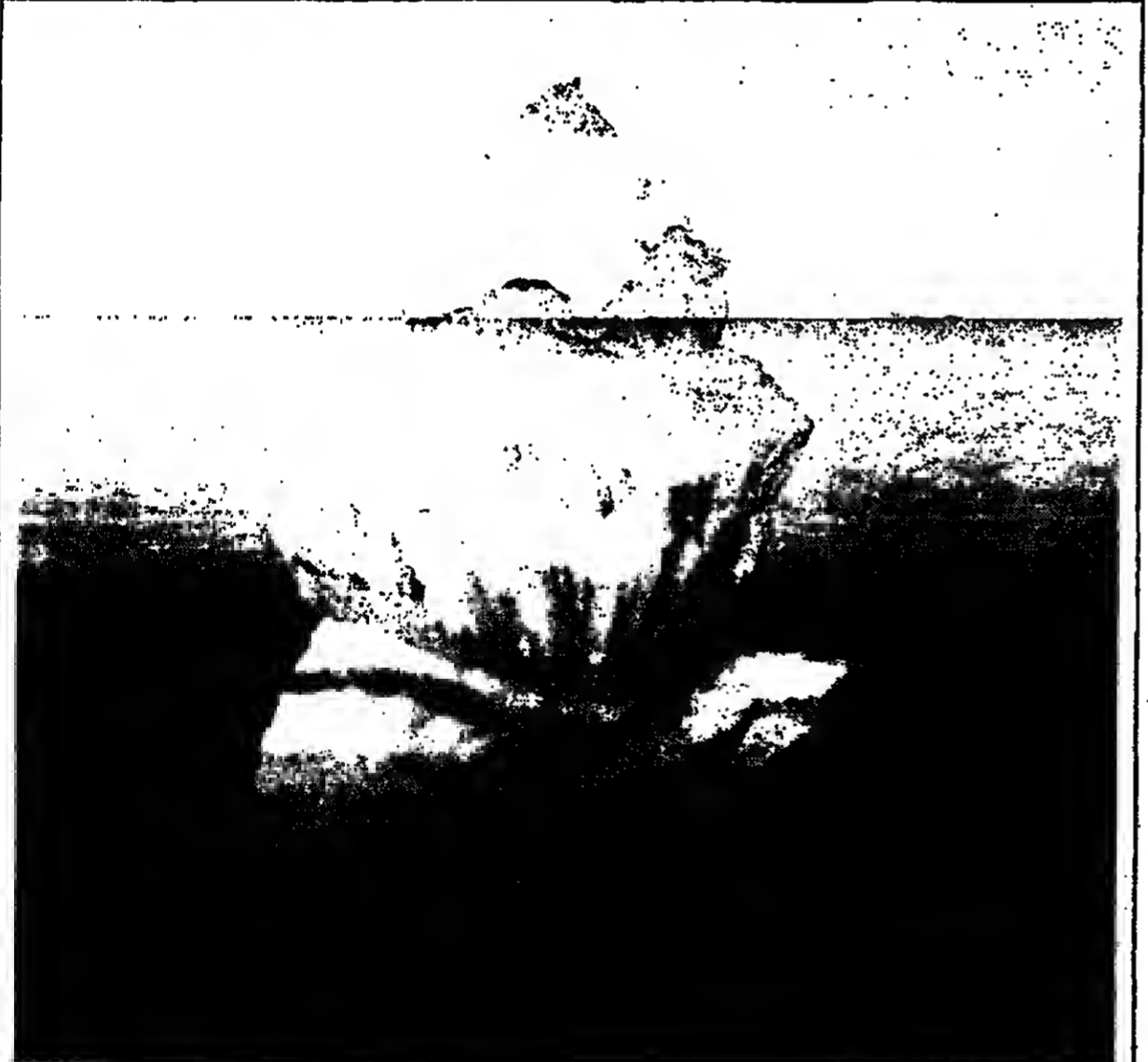
"I put it on but I didn't listen. I don't get mixed up in these things. I just work and study in the evenings... I think it said something about revolution," Sergio explained.

According to Tono the rejection of the URNG message was more active. "Nobody paid attention. In this market everybody has either been in the army or the police or has children that are, so maws travels fast. No one talks about the guerrillas and it is best not to," he said.

Political campaigning in a country where the majority see no reason to vote in elections and are frequently frightened to express their opinions can be a pretty thankless task.

But Vilna, working behind her fish stall, said that her section of the market was impressed by the guerrilla propaganda. "They said that we should join together and things like that," she said that this was good; that maybe they might help us because the president is only a clown of the rich," she whispered.

Meanwhile, at the latest round of talks last month it was announced that negotiators were close to reaching consensus regarding the post-war role of the army as well as the details of how civil society should be strengthened. President Alvaro Arzu has promised that an accord would be signed in Mexico on September 19, opening the way for discussion on the demobilisation of the guerrillas, the definitive ceasefire and the timetable for the implementation of the accord.



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NEWS: UK

European Union officials say financial retaliation would be likely from some states

Britain warned on dropping cattle cull

By Caroline Southey in Brussels, Alison Maltland and James Blitz in London

A UK government decision to abandon plans for a selective slaughter of cattle would infuriate European Union leaders...

The cabinet will today consider dropping the cull - which is central to a lifting of the EU export ban - or scaling it back to about 44,000...

Mr John Major, the British prime minister, said the UK would consult its EU partners at next week's agriculture council.

doming the cull "would make EU leaders feel ridiculous... At Britain's insistence they set aside all other issues and took two days to put together a deal...

Ecus370m (\$470m) this year to cover 70 per cent of the cost. The Ulster Farmers Union said it would press for a go-it-alone slaughter policy...

The National Farmers Union in Scotland, where prime beef exports account for 20 per cent of output of 250,000 a year...

Unions agree minimum wage in bitter debate

By Robert Taylor, Employment Editor

Trade Union Congress conference delegates voted overwhelmingly for the introduction of a £4.26 (\$6.64) an hour national minimum wage...

low-pay commission of trade union and employer representatives and academics come up with a proposed figure. Mr Edmonds said...

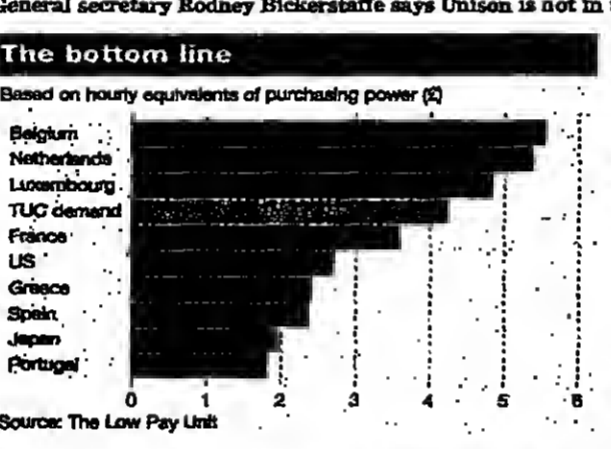


General secretary Rodney Bickerstaffe says Unions is not in the pocket of the Labour party

Hanson arm sets up works council

By Robert Taylor

A subsidiary of Hanson, the conglomerate, has set up a works council for its employees, including those in the UK...



Based on hourly equivalents of purchasing power (€)

auCTION about who can produce the biggest claim... He told delegates: "Our test will be the settlement not the claim - not convincing ourselves but convincing others..."

Accountancy objectives 'must be clear'

Dennis Beresford, chairman of the standards board, outlines his solution

The heated debate in the UK about the Accounting Standards Board's draft statement of principles will sound familiar to many in the US...

what had been an esoteric debate, and they showed the board that it needed to do a much better job of communication. A conceptual framework is needed...

reporting should serve as a basis for taxation, for example. Without agreement on objectives no real progress on harmonisation of standards will ever be possible.

guidelines. Each case needs to be considered on its merits. Concepts, or principles, are not binding rules. They are broad guidelines that help resolve issues but they don't do so directly...

In other words, the framework is just that - a framework. We usually start looking at issues from a conceptual viewpoint, but we always temper the theory with practical considerations - such as cost-benefit issues.

CONTRACTS & TENDERS THE GAMING CONTROL BOARD OF THE MINISTRY OF THE TREASURY OF THE REPUBLIC OF PANAMA ANNOUNCES An Invitation To Prequalify For Casino and Slot Machine Operating Licenses...

Wage inflation subdued as unemployment falls

By Graham Bowley, Economics Staff

Unemployment in the UK fell last month to the lowest level for five and a half years, but wage inflation in some areas of the jobs market was the weakest for almost three decades.

The Office for National Statistics said the number of people out of work and claiming benefit fell by 16,600 last month to 2,110,400, the lowest level since March 1981.

investment to create more jobs. Some economists also raised fears that the decline in unemployment may simply reflect fewer people claiming benefit rather than more people finding jobs.

UK NEWS DIGEST

Overseas banks hit at 'red tape'

Non-UK banks based in London believe they are being discriminated against in the reporting requirements used for government statistics, according to research carried out for the Foreign Banks and Securities Houses Association.

INWARD INVESTMENT Cummins in \$70m expansion

Cummins Engine of the US is investing \$70m in its plant in Daventry, Northamptonshire, to build it up as the centre of its global business in making large engines for use in power generation.

ENGINEERING Expert training imported

Eight senior engineers - including six from three Japanese motor companies - are set to arrive in Britain as part of a unique programme to raise standards in the UK's car parts industry.

SHIPPING Cunard pledges big refund

Cunard, the loss-making cruise line, yesterday promised refunds and compensation to 7,300 passengers booked on a vessel which it has decided to sell.

LOYD'S 55% Canadian Names refuse offer

Less than 2,000 "refuseniks" Lloyd's of London Names worldwide had failed to accept the insurance market's \$2.2bn (\$4.95bn) settlement offer by yesterday's noon deadline.

CURRENCY MARKET Star performers spotlighted

Deutsche Morgan Grenfell's corporate foreign exchange unit has proved to be the star performer in the global currency markets, according to a recent survey of multinational corporate treasurers.

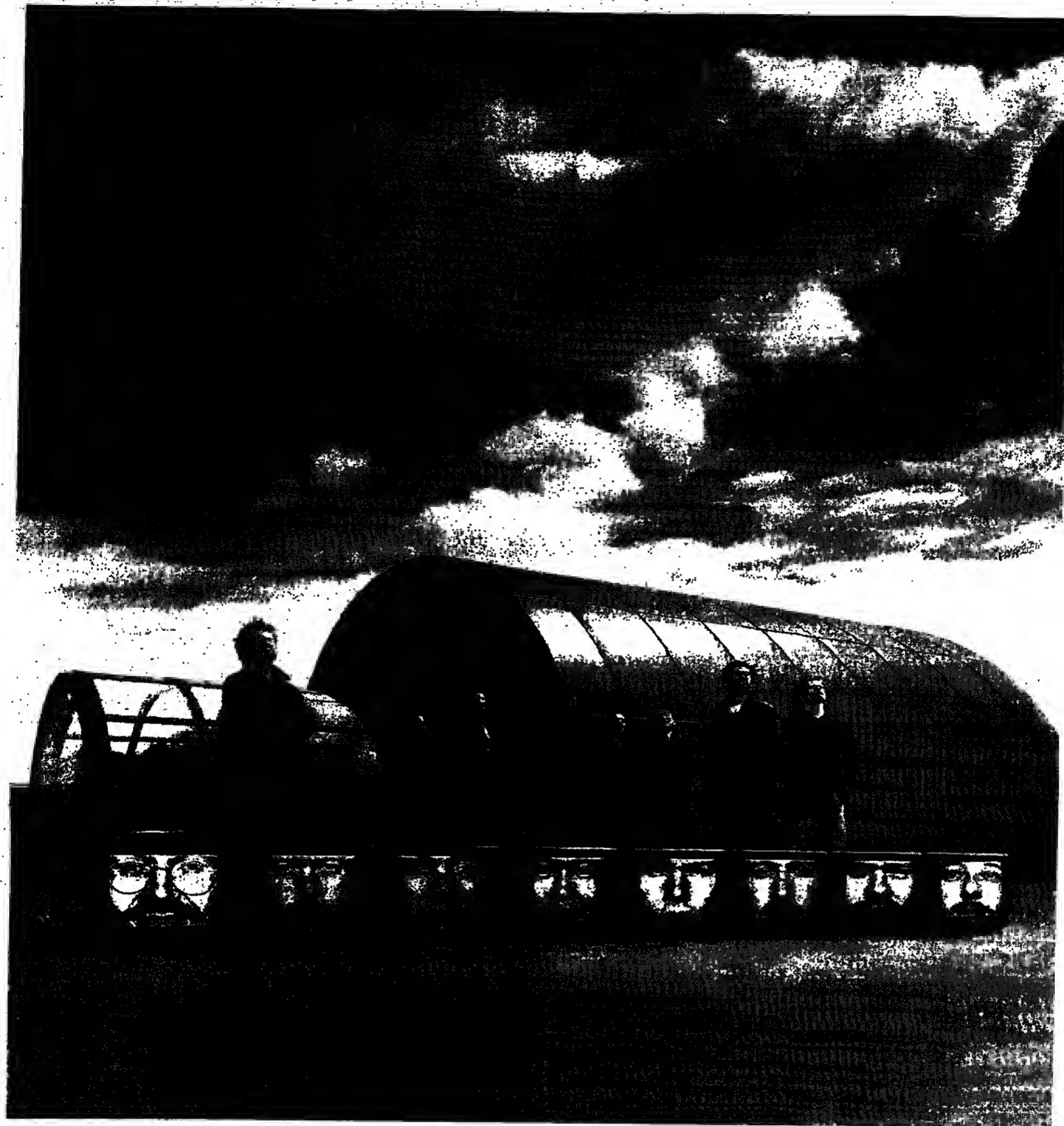
SEMICONDUCTORS Hyundai postpones new plant

Hyundai, the South Korean industrial group, yesterday said it had postponed a decision to build a \$1.5bn semiconductor plant in the UK because of the sharp decline in global prices for memory chips.

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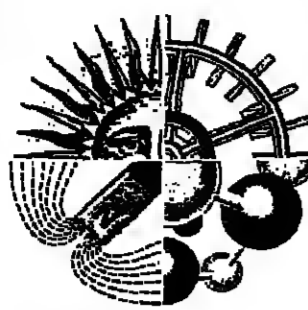
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TECHNOLOGY

Worth Watching - Vanessa Houlder



Robots to resurface roads

Robots have myriad new roles, from cleaning aircraft to delivering samples in a hospital. The latest is resurfacing roads.

A European group of researchers, funded by the EU's Esprit programme, has developed a navigational system that can guide a robot to within 2cm. The robot uses a global positioning system to fix its rough position and then aligns itself precisely using a laser scanner to pick up signals from reflective beacons placed around the work area. UK Robotics, which designed the navigation system, says it can be adapted for cleaning and security patrols in factories, warehouses and car parks.

UK Robotics: tel (0)161 8763200; fax (0)161 8763201.

German solution to darken glass

Sunglasses which darken in response to light have been around for years but it has been more difficult to achieve at a reasonable price the same effect on large areas of glass.

German scientists are in the final stages of developing a system based on thin layers of chemicals within laminated glass panes.

The researchers which include the Fraunhofer Institute for Solar Energy Systems, BAF, the chemical company, and Sto, a producer of facade systems, believe that their system is relevant for energy-efficient buildings which have large areas of highly-insulated glazing that tend to overheat in summer.

The system uses "thermotropic" chemicals, which become opaque when the temperature rises above a certain level.

Its suitability would be limited to greenhouses or windows where a clear view is not needed. For other types of glass, such as windscreens, the scientists are investigating "electrochromic" chemicals such as tungsten oxide, which change colour when an electric voltage is applied.

Fraunhofer Institute for Solar Energy Systems: Germany, tel 7614588142; fax: 7614588132.

Technology to track containers

A Cambridge-based software company is using pattern-recognition technology based on neural networks to identify and track containers and drums at ports and depots.

Conventional character-recognition technology often fails in these tasks because the codes on containers are dirty, obscured or displayed in poor lighting conditions. The Container Tracking and Identification System, which has been developed by Cambridge Neurodynamics, uses neural networks that can be taught to recognise patterns. As they train on a large number of sample characters, they can usually cope with poorly defined characters. The system has achieved success rates of over 90 per cent in trials at UK ports.

Cambridge Neurodynamics: UK, tel (0)1223 421107; fax (0)1223 421096.

A cheaper way to break down waste

There is nothing new about using bacteria to break down waste. But scientists are seeking to make bioremediation less expensive, so that it can compete with landfill sites.

The Centre for Applied Microbiology and Research at Porton in Wiltshire believes it could cut the costs of treating contaminated land with a method that stimulates naturally-occurring bacterial populations to break down chemicals. It has formed a joint venture with Geobac Technology of New Brunswick in Canada and Hadley Landcare in Reading.

CAMR: UK, tel (0)1980 612100; fax (0)1980 611096.

Technology that could reduce the development time for an aircraft by at least 20 per cent is being assessed by aerospace groups around the world. The companies hoping to cut one, or perhaps many, years from design schedules include British Aerospace (BAe), Airbus Industrie and Indonesia's Industri Pesawat Terbang Nusantara (IPTN).

The technology is a "knowledge-based" engineering system called Icad, developed by Concentra, a US software company. It allows companies to capture on computer the knowledge of their designers and engineers, as well as relevant legislation, safety criteria, materials performance, best manufacturing practices, costings and other rules.

Once the knowledge base is established, the aircraft specifications are entered into the system and a geometrical design is created automatically in minutes. Many combinations of specifications can be tried, before the final geometry is passed to a traditional computer aided design (Cad) system for detailing.

Using Icad as the main aircraft development tool should make it possible to complete the conceptual design in about half the time, employ half the number of engineers and test twice as many options, says Jeff Jupp, director of engineering at BAe Airbus. Although the rules must be entered into the system first, in BAe's experience the process takes only weeks.

Given the benefits involved, it is curious that Icad, which has been available for a decade, is not more widely used and that Concentra's annual turnover is not more than \$28m (\$17m). The company says Icad was initially seen as a tool for the specialist rather than the mainstream designer. But the software has progressed from the barest of tool kits targeted at a broad range of industries to an easy-to-use product focused on aerospace and automotive design.

Meanwhile, desktop computers have become capable of handling the large amounts of data needed in a knowledge-based engineering system while maintaining their responsiveness.

The first application for the aerospace industry - laying out passenger aircraft interiors - was launched at the Farnborough Air Show last week. As the system has improved, its two main markets have become increasingly competitive. Aircraft and automotive manufacturers are now willing to consider a tool that might cut costs, save time and improve quality on a large scale. IPTN, Indonesia's state-owned



The software's first application for the aerospace industry was to lay out passenger aircraft interiors.

Design system takes wing

A tool that creates geometrical plans in minutes is attracting manufacturers, says Diane Palframan

aircraft manufacturer, has already invested more than \$600,000 in an Icad pilot project, which started last month. If the project meets the company's tough goals in the next few months, spending on Icad will be increased in the coming years to millions of dollars.

The project will measure the time and number of people required for the design and manufacture of the wing box of IPTN's twin turbo-prop, the N250, launched last year. These figures will be compared with the results achieved using the company's traditional Cad system, Catia.

A minimum 45 per cent saving in designers' time is expected from the use of Icad on this project, according to Mochtar Sjarief, IPTN's vice-president of Cad-Cam. "We have seen Icad work successfully in other companies, including Boeing. We are now trying to prove it works in ours."

Concentra and six aerospace consultants are working with IPTN to build the knowledge base and develop the applications that will be used on the company's development of a regional

jet, the N2130. Preliminary design work for the \$2bn project is expected to start next March and the first flight is scheduled for 2002. To meet such a tight timetable, while containing costs and maintaining quality, IPTN plans to integrate and simplify design and manufacture.

Icad is one element of this plan. IPTN is also moving to concurrent engineering - having multiple disciplines working together and in parallel on a project as far as possible. Using this new approach, along with Icad and other new software, the N2130 is expected to take two years less to develop than the N250, a smaller programme.

Airbus Industrie is looking for similar cost and time savings for its new projects, one of which will be to develop possibly the largest ever passenger aircraft, the A3XX.

"We have been introducing concurrent engineering and, so far, we have achieved 20-30 per cent reductions in time and costs on some of the improvements we have been making to the existing Airbus family," says Jupp.

But the time has come, he adds, to consider the technology that will support concurrent engineering and lead to even greater benefits. As a first step, the Airbus partners - BAe, Aerospatiale de France, Daimler-Benz Aerospace of Germany and CASA of Spain - have agreed to use a common Cad system, Catia 5 from ComputerVision. Now they are looking at knowledge-based systems and where in the development process they are likely to add greatest value.

From BAe's pilot work with such systems, Icad in particular, the company has found that the biggest advantages lie in using them for the development of large aircraft sub-assemblies, such as the forward fuselage or the undercarriage.

"In the conceptual stage, costs are not so high and there is more time available," explains Jupp. In the development of the forward fuselage, however, BAe has already shown that Icad can create the geometry in five to 10 minutes (once the knowledge base is set up) compared with weeks on a traditional Cad system.

Greater storage for CDs

A new technology which could be commercialised in three years is set to boost the storage capacity of compact discs (CDs) or CD-Roms by 1,000 times.

Digital and analog information - words, music and pictures - would no longer be limited to the surface of a CD. Instead, they would be stored on hundreds of layers within it. The new CDs would use photons instead of electrons to acquire, transmit, store and process data.

Researchers at the State University of New York in Buffalo (UB) impregnate cheap, clear plastics with UB-developed, light-sensitive dyes that can be turned on or off by an infra-red laser beam. In this process, called "two-photon absorption", a molecule pumped with light of sufficiently high intensity absorbs two photons of light. The new dyes developed at UB exhibit strong absorption.

"The presence of the dye enables the polymer to strongly absorb infra-red laser light due to the two-photon absorption, and this absorption can be confined to a very precise area by tightly focusing the laser beam," says Jayant Bhawalker, of the UB Photonics Research Laboratory.

The absorbed light causes a tiny point of the dyed polymer to change properties, such as its colour or fluorescence. In an example of one mechanism for doing this, the spot where absorption occurs gets bleached, that is, the fluorescence is removed. This is the "writing" process. The bleached spots then become the data that can be "read" by an infra-red beam. This mechanism results in a "write once/read many times" operation. Other mechanisms can produce many reversible "read/write" operations.

The technology permits digital-data storage and analogue storage, enabling large quantities of pictures, photographs and other visual information to be collected.

Tom Mead

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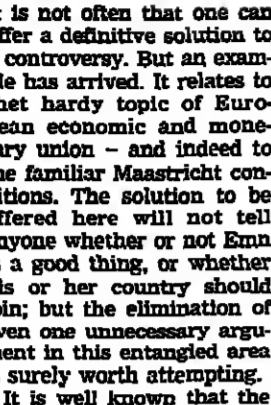
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COMMENT & ANALYSIS

Economic Viewpoint - Samuel Brittan

Right rate for the franc

What economic and monetary union needs is not 'real convergence' but sensible real exchange rates between members before it comes into force



It is not often that one can offer a definitive solution to a controversy. But an example has arrived. It relates to that hardy topic of European economic and monetary union - and indeed to the familiar Maastricht conditions. The solution to be offered here will not tell anyone whether or not Emu is a good thing, or whether his or her country should join; but the elimination of even one unnecessary argument in this entangled area is surely worth attempting.

It is well known that the Maastricht conditions relate to the convergence of financial variables: inflation rates, interest rates, exchange rates, budget deficits and government debt ratios. None of these conditions mention output, employment, growth or any of the real variables which relate most directly to the welfare and living standards of citizens and nations.

From time to time voices are raised on the left saying that more attention should be given to the convergence of such real variables. But perhaps the most notable advocate of "real convergence" has been Mr Eddie George, the governor of the Bank of England. He has often warned that the lack of such convergence may make the drive to Emu premature and lead to nasty shocks if it is implemented according to timetable.

But despite the appeal of real variables to real people, this approach has always seemed to me misconceived. International trade concerns the mutually profitable exchange of goods and services between countries with very different economic conditions. The UK and India were able to trade profitably in the 19th century, as can developing and advanced countries today. Indeed I stated in evidence to the UK parliament that "areas with very different output levels, growth rates, real wages and unemployment rates have long benefited from trading with each other, both at flexible and fixed exchange rates and within and across national frontiers". The Treasury committee cited these words with some amazement, but did not venture an opinion.

It is, however, unwise to regard those who disagree with one as simpletons. The governor and his advisers must have some legitimate point. Apparent argumentative impasses are often about words; and I have at long last realised the verbal point at issue.

When Mr George talks about lack of real convergence at the time of Emu coming into effect, he is actually referring to something different: his fear of what is known in economic circles as disequilibrium real exchange rates. It is important for a monetary union to start off with something approaching equilibrium real exchange rates among those which take part. By this is meant, among other things, an exchange rate which is compatible with the minimum level of unemployment a country can achieve without accelerating inflation.

The expression "equilibrium" is not a happy one as it suggests a degree of precision never likely to be available in political economy. But it is convenient and widely used.

When we move from verbal arguments to real issues, attention quickly focuses on France. The concern is that that country may well need to reduce its average real wage levels to restore employment. It is argued that it will be easier to carry this out with the aid of a franc devaluation than if it has to be done by pressing down on the money wages received by French workers.

The persistence for so long of such an obstinate unemployment problem in France does indeed suggest that real wages there may be too high.

What then is wrong with advocating a franc devaluation as a package of remedial measures? It would be like the case Keynes vainly made in 1925 against Britain going back to the 1914 gold parity.

The problem for France today is that whatever may be the case for the franc against the world as a whole, by nearly all fundamental measures it is not

overvalued against the D-Mark. All the arguments about real wages being too high for full employment and the convenience of devaluation as an adjustment mechanism can also be made for Germany. Since the last major realignment between the core currencies in 1987 labour costs, taking account of exchange rate movements, have risen substantially in both countries, but more in Germany than in France. The IMF index may exaggerate this effect, but it is there.

The real problem is that the D-Mark itself looks overvalued against the non-European currencies, including the dollar. If the franc is overvalued it is because it has been pulled up by the D-Mark. It is hardly likely that in these circumstances the German government would tolerate a major French unilateral devaluation. It found the much more justifiable Italian and British depreciations hard enough to take. If a future French government were to follow the advice of so many English language financial writers and attempt a unilateral devaluation, the damage would not be limited to Emu. There would be a risk of international currency warfare of a kind not seen since the second world war.

The inference is that it is not France that needs a devaluation against Germany, but that devaluations are needed by both countries together, and therefore by other countries such as Benelux and Austria with currencies also tied to the D-Mark.

Most of the discussion about the future exchange rate policy of Emu has been about the "ins" versus the "outs" of the European Union. The important issue when the euro is brought in will, however, be its exchange rate against the rest of the world. Policy will be made more difficult

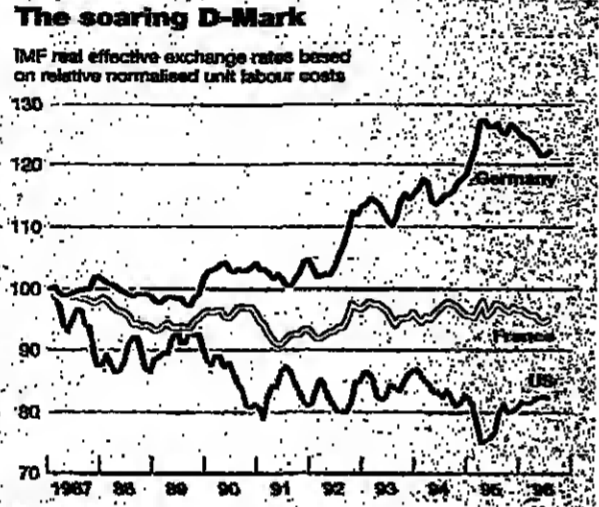
because national governments and the European central bank will have overlapping responsibilities for external currency policy.

The best outcome would be if the foreign exchange market brought about a further depreciation of the D-Mark, before Emu began. More German interest rate cuts would help, but could not guarantee this result. Otherwise there might indeed be a case for a one-and-for-all devaluation of the euro against the dollar at the start of Emu.

But this could not be a unilateral operation. When we are talking about currencies as large as the euro, the dollar and the yen, we are talking about very big players indeed. It will not be helpful if European leaders were to precipitate the devaluation of the euro but American leaders oppose an appreciation of the dollar. So without aiming for unrealistic mechanical currency schemes, it will be important for the leaders of the main blocs to talk to each other on currency issues and try to minimise discord.

It is helpful to get currency relations as nearly right as possible at the start of Emu. In the end, however, the main influence on employment in a large continental area like Europe will not be the internal cost of employing workers. If we are to provide more jobs in Europe real labour costs will have to be more flexible, which in many cases means they will have to come down.

If European labour markets can be reformed more radically than at the small's pace now envisaged, Europe can thrive with or without Emu. But if outmoded corporatist practices continue, the employment future will be pretty bleak irrespective of whether it adopts the euro, sticks with national currencies or reverts to the use of cowrie shells instead.



ONLY THE PARANOID SURVIVE: By Andrew S. Grove
Currency/Doubleday 210pp \$27.50
When to listen to the company Cassandras

When companies are facing particularly difficult decisions, says Intel's chief executive, Andy Grove, their bosses firing themselves into an orgy of irrelevant activities. Speechmaking, charitable work, education, even bookwriting - all to avoid difficult choices.

Grove admits to having done the same thing in the early 1980s when Intel was agonising over whether to leave its original market, memory chips, or whether to persevere in the face of Japanese competition.

"Frankly, as I look back, I have to wonder if it was an accident that I devoted a significant amount of my time in the years preceding our memory episode, years during which the storm clouds were already evident, to writing a book. And as I write this [new book], I wonder what storm clouds I might be ducking now."

Intel shareholders can relax: it is unlikely that the task of writing this particular work gobbled up much of Grove's... Intel's actual revenues in 1990 or so wide-spaced, easy-reading pages, Grove sets out his theory that successful managers must learn to cope with "strategic inflection points", changes in the business environment so overwhelming that they threaten the company's survival.

Examples include the introduction of US regulations that people who deliver bad news, or warnings of potential bad news to come, are not punished for it. "Break down the walls between those who possess knowledge power and those who possess organisation power."

Once you think you are in the middle of a big industry change, "let chaos reign" for a while. Allow the company to experiment, to try out new products, delivery mechanisms, customers,

technologies. Once you've learnt all you can from the chaos, it is time to display leadership, stop listening to worriers, and issue "exquisitely clear marching orders" to the company.

Grove describes how that moment came for him in 1985. For months, Intel's managers had been debating its future in the memory market without reaching a conclusion. "After this aimless wandering had been going on for almost a year... I turned to Gordon [Moore, then Intel's chairman and chief executive] and I asked, 'If we got kicked out and the board brought in a new CEO, what do you think he would do?' Gordon answered without hesitation. 'He would get us out of memory.' I stared at him, numb, then said, 'Why shouldn't you and I walk out the door, come back and do it ourselves?' A similar moment occurred in 1994 when it became clear Intel was mishandling its response to a flaw in its Pentium chip.

Once such a decision is made, be clear. Don't hedge your bets: plump for a single focused course of action and go for it. "Strategic actions" where it's most exposed.

Watch for signs of strategic dissonance: when the company is saying one thing about its strategy, but its actions, under the pressure of hundreds of small-scale market-driven changes, say something else. Encourage robust debate. Make sure that people who deliver bad news, or warnings of potential bad news to come, are not punished for it. "Break down the walls between those who possess knowledge power and those who possess organisation power."

Once you think you are in the middle of a big industry change, "let chaos reign" for a while. Allow the company to experiment, to try out new products, delivery mechanisms, customers,

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August, 1996

Predictable research has questionable value

From Lord Haskel.
Sir, In his report from the British Association meeting Clive Cookson reports the concern of Sir Ronald Oxburn, rector of Imperial College, London, that research funds are given for predictable work, defined in advance "Young Asians set to spurn business".

September 10).

On the same page Raymond Snoddy reports that a study by the Henley Centre for Camelot

concluded that the National Lottery will create 111,000 jobs. Mr Snoddy tells us in his article ("Spin-off job creation claimed") that the Henley Centre had not considered the wider impact of the National Lottery on employment or the economy because it had not been commissioned to do so!

It is interesting that Sir Ronald's fears were proved correct on the same day and on the same page. Of course Sir Ronald was speaking

about public money, and Camelot is a private organisation, but we are asked to apply in the public domain the results of this private research. I join Sir Ronald in questioning the value of research where there is outside pressure on the results.

The only protection the public has from this kind of contrived research is the reputation of the research organisation.

The Henley Centre is a

reputable organisation and I am surprised that it undertook a study where the parameters were tightly drawn by the funder so as to give a result that would suit its purpose.

Perhaps studies of this kind should carry a public health warning.

Haskel,
12 Rosemont Road,
Richmond,
Surrey TW10 6QL,
UK

Swiss, not allies, are to blame over Nazi gold

From Mr Tom Bower.
Sir, Invidious as it is for me to challenge those who rightly criticise the Swiss banks' conduct concerning Nazi gold, your leader "Nazi gold" (September 11) requires correction.

Contrary to your leader, the allies criticised the negotiations leading to the Washington Accord in 1946 reveal that the allied diplomats tried extraordinarily hard to recover more gold from the Swiss but were stymied unable to overcome the requirement of proof. The problem was not, as you suggest, "tracing the gold", but proving that the neutrals, all sovereign nations, had accepted the gold knowing it was stolen.

The Reichsbank records were incomplete and the archives show that the negotiators found the Swiss details were largely insupportable. Blame the Swiss, but not the US negotiators who were astute and tireless.

Faced with the adamant Swiss denial that their central bank had knowingly accepted any looted gold and the American inability to continue to freeze Swiss assets in the US, obtaining any compensation was rightly hailed as a bitter-sweet achievement. The agreement in May 1946, one year after the war, is hardly proof of "haste".

Your leader is wrong to

suggest that no other neutral country was held to account. In the Safehaven negotiations which continued until 1953, Sweden, Portugal and Spain all surrendered some of the looted gold and other German assets.

Your leader is also confusing, perhaps disingenuously, when it criticises the allies' "refusal to compensate people whose bullion or jewellery was seized by the Nazis". The allies' policy was to restore identifiable looted property. But how could the allies compensate for unrecorded property which had totally disappeared into Swiss banks? And more importantly, from what funds should the allies have paid that compensation?

Even the UK, bankrupted by the war, received a pittance in reparations from Germany while spending \$20bn (in 1947 prices) after the war to sustain Germany's food supply.

Tuesday's gold story - a tale based on government records freely available for nearly 20 years - disguises the important issue. Namely, that Switzerland still refuses to fulfil its 1946 undertaking to release pre-war Jewish deposits in Switzerland which in 1945 were estimated to be worth \$500m.

Tom Bower,
19 Thurlow Road,
London NW3 5PL, UK

Funds need adjustment

From Mr Daniel Broby.
Sir, Following the suspension of dealing in the Morgan Grenfell European Growth Trust, Europa Fund and European Capital Growth Fund, Deutsche Bank bought £180m of securities at the value stated immediately prior to these suspensions. This was done to protect investors from possible inflated values in illiquid investments. This action is to be applauded, but it still leaves a number of issues to still be addressed, many of which have been highlighted in your newspaper.

The issue that I have not seen addressed is that of the performance record of these funds. If the net asset value in the past was not as it should have been the benchmark peer group averages that other European fund managers compare themselves with will have also been artificially inflated. If, as is suggested, performance pressures led to this incident in the first place, then it is correct to adjust this bias.

Daniel Broby,
head of international research,
Quilter & Co,
St Helen's,
1 Undershaft,
London EC3A 3BB, UK

Emu impact allows all a say

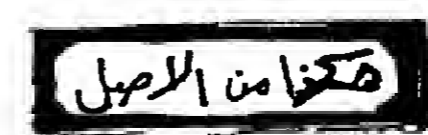
From Mr Nicholas Crosby.
Sir, Mr Osman Crostrey (Letters, September 6) suggests that some of the 15 industrialists who signed their letter of September 5 on monetary union have no place in the debate since they run accountancy, PR or medical insurance companies which have little direct trade with the continent. This is fallacious.

Emu will have an impact on the domestic economy whether the UK joins Emu or not. The level of inflation, interest rates and inward investment could all be affected. If Emu succeeds and the UK remains outside, the domestic economy could not escape the consequences.

As to more mainstream industrialists who signed the FT letter, it is difficult to see who could carry more credibility in the Emu debate than the bosses of so many of the UK's most successful and biggest companies: British Aerospace, BAT, BP, Shell, Glaxo and Unilever.

It would be surprising if the chairman of any UK company that is a real global player would want the government to rule out Emu now or forever. It would be interesting to see if the advocates of closing the UK opt-out can produce one.

Nicholas Crosby,
Flat B,
15 Avonmore Road,
London, W14 8EP, UK



COMMENT & ANALYSIS

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Thursday September 12 1996

US vs Japan revisited

After persistent effort, one of the world's leading computer suppliers makes a big breakthrough in the home market of its largest rival by winning a prestige government contract. The rival then enlists powerful political and bureaucratic allies to have the order cancelled or blocked. Quickly, they close ranks in a determined campaign to keep the foreign intruder out.

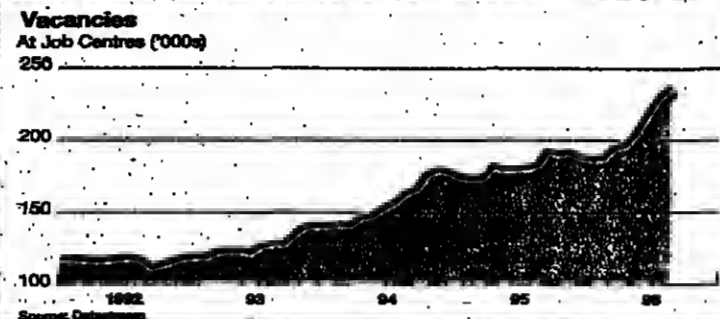
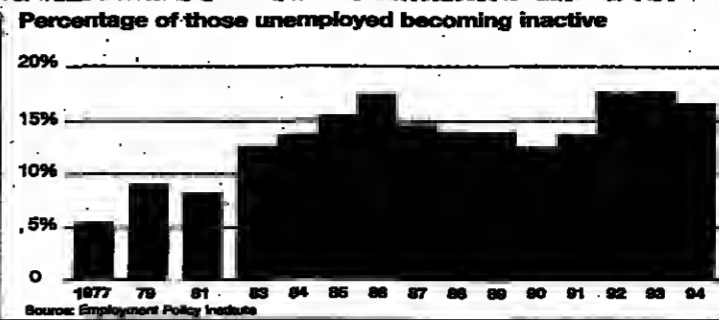
No more tests

A comprehensive ban on nuclear tests has been a goal of international diplomacy ever since Britain, the US and the Soviet Union agreed to ban tests in the atmosphere, back in 1963. The end of the cold war brought it within reach, and last year, to persuade non-nuclear states to accept the indefinite extension of the non-proliferation treaty (NPT), the nuclear powers had to promise to achieve it by 1996. Have they kept this promise?

New dither

With a commanding lead in the opinion polls, the UK Labour party can afford a few gaffes, but not at the rate it has been making them recently. Some of its troubles may be put down to summer fever. But there are signs that Mr Tony Blair, the Labour leader, for all his skill in imposing party discipline, has been less sure of late in his grip over the substance of policy.

UK employment: the missing feelgood factor



Age of the worried worker
Robert Chote and Gillian Tett explain why insecurity afflicts the UK labour market despite the continuing fall in unemployment

Mr John Cooper has reason to feel pleased. As director of government employment services in Bristol in the west of England, he has helped out unemployment in his area by a third in the last four years. "This is real progress," he says, "as he explains how his job centres are taking a more 'proactive' approach to matching the unemployed with jobs."

This trend left the Bank of England concluding in its latest quarterly Inflation Report: "Almost the entire net improvement in unemployment performance in the 1990s compared with the 1980s was accounted for by the rise in inactivity." But the phenomenon is unlikely to explain why insecurity has flared up as an issue only in the past few years. As the Employment Policy Institute argues, the rise in male inactivity was as much a phenomenon of the 1980s as of the "nervous nineties".

The government has long faced accusations that the new employment opportunities have been predominantly temporary, part-time, insecure and low-paid - "McJobs" for "burger-flippers". Denying this claim, Mr William Walsgrave, the chief secretary to the Treasury, claims that most newly created jobs have been full-time. This is true - but, as the Employment Policy Institute points out, only because he looked back to autumn 1993 rather than the previous winter when the labour market recovery got under way.

No gain but lots of pain

At the annual meeting of the Deutsche Bank Group, the bank's chief executive, Hans-Joachim Lauth, said that the bank's performance had been "solid" and that it was "pleased" with the results. However, he also acknowledged that the bank was facing a "challenging" environment and that it would need to continue to focus on its core business.

OBSERVER

At the time it looked an odd move: a hot-shot international banker, Treichel joined an outfit with a reputation for being a relatively sleepy savings bank. But Treichel is well connected in Austria's conservative People's party, which regards Creditanstalt as its flagship bank. And he's the son of Heinrich Treichel, who ran Creditanstalt for more than a decade and boosted the career of Guido Schmidt-Chiari, Creditanstalt's current chief executive.

Song and dance

Will it be over before the first man sings? Some organisers for Hong Kong's 1997 handover celebrations are having trouble lining up star attractions. The cost of magician David Copperfield's disappearing acts reportedly more than HK\$7m - seem to rule him out. And Raymond Wu, a member of the Beijing-appointed committee overseeing the transfer of authority, says Luciano Favaretto is even pricier.

Out with the old

New money in, old money out. The next reshuffle of the MIB30 - the index of Italy's most heavily traded stocks - will see the unceremonious ejection of IRI and IRII, the two holding companies through which the Agnelli family controls Fiat, the automotive and industrial group. From September 25 these venerable names make way for young upstarts like Mediast and Mediolanum - respectively the media group and the insurer founded by Silvio Berlusconi, the former Italian premier, and floated this year.

100 years ago

New Orleans Bank Failures The Bank of Commerce failed this morning. This is the fourth bank which has failed here within the past few days, and as a result the City is almost paralysed. There is evidence that dishonesty on the part of the officers is the cause of the failure of two of the banks. The Associated Banks have decided to pay no depositors over a hundred dollars daily, in order to guard against any possible runs. The other banks which have failed are the Mutual National, the Union National, and the American National. (Daily)

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Fed sees no clear sign of worsening inflation

By Robert Gholte in London Upward pressure on wages is becoming more widespread in the US, but there is no clear evidence yet of a strengthening in price inflation, the Federal Reserve said yesterday in its latest round-up of regional economic conditions.

members of the policymaking group differ in their assessment of the risks of inflation. The summary of the Beige Book, which contains anecdotal evidence of business conditions from the 12 Fed districts, said the economy continued to expand moderately in August. It suggests the economy has maintained much of the momentum it enjoyed in the second quarter of the year.

Many districts reported "pockets" of labour market tightness, with a few concluding that the scarcity of workers was broadly based. The Fed said that manufacturing activity was "either expanding or holding steady at a high level" in most districts and that building activity remained strong in most areas.

Bonds, Page 22 World stocks, Page 24

Standards fixed for Europe telecoms market

By Neil Buckley in Brussels

The European Commission yesterday set out guidelines on the minimum standards that fixed telephone operators must provide after the EU's telecommunications market is fully opened to competition in 1998.

It said a basic fixed telephone line with directories, a directory enquiry service and public payphones should be available to every European Union citizen at "affordable prices" after January 1 1998. Telephone operators that do not provide these services to all consumers will have to pay into a national "universal service fund" in each member state.

From 1998, all newly installed fixed telephone networks will have to be capable of data transmission at, at least, 14,400 hits a second - in other words, able to carry advanced information services such as the Internet.

The Commission also proposed that operators should provide itemised bills, tone dialling - which allows phones to be used for services such as home banking - and selective call barring, which allows customers to block outgoing calls to certain numbers or classes of number.

But the Commission decided that mobile phone operators would not be subject to the same requirements. A Commission official said that could hamper investment in a sector that was just getting off the ground in some member states. The situation would be reviewed by the end of 1999.

Officials said the standards were essential to protect consumers as large telephone monopolies in many EU states were broken down.

Telecoms companies with "significant market power", including at least a 25 per cent share of the market, would be obliged to offer extra facilities, such as identification of the number of incoming calls, and access to special networks.

Telecoms companies said they were broadly happy with the proposals, which officials said had been drafted to avoid placing undue extra financial burdens on operators.

THE LEX COLUMN

Extracting Valeo



Who would benefit from a "French solution" to the future of car part maker Valeo? Certainly not Mr Carlo De Benedetti. To maximise the value of his 28 per cent stake, he should sell it to a large US automotive components group. Such a link-up would have powerful industrial logic. The snag is that Valeo's big French customers, led by Peugeot, have threatened to withdraw their business if the company passes outside French hands.

Clearly, it will make sense for tax-exempt shareholders to buy special dividend shares from taxpaying ones. Both will benefit; the only loser will be the public purse.

That, of course, could raise eyebrows at the Inland Revenue. It seems pretty clear that existing shareholders will qualify for the tax credits. But what about investors who buy the special dividend shares in the market? The Revenue will not say and tax lawyers are unsure.

Each of Reuters' special shares will be worth about 850p on a net present value basis to a taxpaying shareholder. But for a tax-exempt investor, who can reclaim advanced corporation tax paid on the dividends, the net present value is about 850p - a difference of 170p.

ket research suggests all its main markets will handsomely outstretch average retail growth up to the turn of the century. Better management, more focused strategies and increased operational efficiencies should also allow continued profit growth in the short term. Given recent experience, it is probably wise for Sir Geoffrey to eschew ambitious strategies and to concentrate on making existing businesses perform better. But it seems unlikely the current disparate group of companies, even operating at full potential, will take Kingfisher to the first division.

National Grid

Do not pay too much attention to the Grid's huffing and puffing. True, the regulator's operating and capital cost assumptions are tough - but justifiably so. A more compelling point is that the regulator may have moved the goalposts in recalculating the Grid's asset base differently. But sustaining this argument is tricky: the last review was deeply opaque, and in any case the Grid's preferred approach is flimsy. So the Grid's best strategy is not to conduct a grand battle of principle at the Monopolies and Mergers Commission. It should concentrate on haggling over detail, nudging the regulator towards the lenient end of his range of assumptions and edging up the asset base figure. The prizes that way could be just as big.

Matthew Clark

How do you destroy a brand in less than a year? Matthew Clark appears to have achieved this with its recently acquired Diamond White cider, where sales more than halved during July and August. Skimping on marketing is a classic way of losing brand value. And depending on competitors for your distribution is a good route to a rough time - both Bass and Allied Domecq, which sell Clark's cider in their pubs, have launched highly successful "alocopp" drinks that have cut into cider sales. This is the first time cider companies have had to compete head on with the big brewers. And alocopp is undoubtedly here to stay. Until Matthew Clark can present a coherent solution, it looks more attractive as a business study than an investment.

Additional Lex comment on Thisle Hotels, Page 21

Nordbanken shares worth \$744m sold back to bank

By Hugh Carnegie in Stockholm

Sweden's Social Democratic government yesterday launched a novel form of privatisation. It agreed to sell a SKr5bn (\$744m) tranche of its majority shareholding in Nordbanken back to the bank.

The deal, which will significantly enhance Nordbanken's earnings per share and return on capital, was greeted with enthusiasm by investors. The bank's shares leapt almost 10 per cent, rising SKr13 on the day to close at SKr149.

The deal involves an offer to Nordbanken shareholders to sell at a 3 per cent discount to a price based on share values between September 23 and October 11, within a pre-set range of SKr130 to SKr155. Most private shareholders are expected to retain their holdings, leaving most of the sale to the government, which has pledged to take up the whole offering if available.

den, will dispose of excess capital and increase its earnings performance. The government will sell more of its shareholding, which could fall from 63.5 per cent to 53 per cent. It will see increased value for its remaining stake, which it intends eventually to sell in full. "It's a real win-win. There can be no opposition when a government does a secondary privatisation and the price of the shares goes up," an official said.

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A redemption of own-shares is not possible for most Swedish corporations under exist-

ing legislation, but there is an exception for banks. Nordbanken was taken over by the state during the loan-loss crisis in 1992 and was the main recipient of SKr650m used to keep the banking system afloat. Cleared of SKr500m in bad assets and merged with Gota Bank, it has returned to strong profitability. Last year, the government raised SKr6.7bn in a public offering for 34.5 per cent of the bank.

The finance ministry said it had not decided when or how to sell the remaining state holding, but it is expected to be done through at least two more public offerings.

Nordbanken said the share buy-back would increase return on capital from 27.6 per cent in the first half to 35.5 per cent. Earnings per share of SKr12.45 in the first half would rise by up to 15 per cent, depending on the amount of shares redeemed.

World stocks, Page 24

Deutsche Bank set for third bailout

Continued from Page 1

Deutsche of this new life raft depends on the outflow of investors, which has been slowing, but Deutsche has in principle committed itself to redeeming the entire 13bn still invested in the three funds.

The new rescue operation further adds to the cost of the affair to Deutsche Bank, which has injected E150m into the funds, promised compensation to investors, and conceded

damage to its reputation. Deutsche Bank secretly injected E33m into the three funds, and later a further E25m, after discovering that Mr Peter Young, manager of European Growth Trust, had been investing in a web of fabricated Luxembourg holding companies.

Deutsche Bank yesterday faced another potential bill after Mr Christen Sveaas, a Norwegian investor, threatened to sue if the group did not mount a takeover bid for a

software company called Sysdeco.

After unravelling the web of holding companies set up by Mr Young, Deutsche Bank discovered it owns 51 per cent of Sysdeco, which obliges it under Norwegian takeover regulations to make a bid for the shares it does not own. Deutsche Bank is understood to be seeking legal advice to avoid making a bid, which the rules say would have to take place at four times the current price.

FT WEATHER GUIDE. Europe today. The Benelux will be cloudy with outbreaks of rain and a fresh breeze. Northern Germany, Denmark and Sweden will be rainy. Five-day forecast. A low pressure system will gradually move eastward from southern Scandinavia. TODAY'S TEMPERATURES. Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands.

Annual Conference 1996. Private Finance Panel. The Private-Finance Initiative: "Delivering PFI". Rt. Hon. Kenneth Clarke MP QC. For further information please call the Private Finance Panel Executive on 0171 468 6500.

مقتان الصل

LEGAL DEFINITIONS property n. Brit. 1 leaf tea served from a silver pot (usu. Earl Grey, English Breakfast etc.) 2 something owned, a possession, esp. real estate. see ROWE & MAW: asp (ph 0171-248 4282)

FINANCIAL TIMES COMPANIES & MARKETS

Thursday September 12 1996

"Japan, Inc. has no magic management system. There is simply no substitute for a conscientious work force."

IN BRIEF

Warning of deficit hits Renault stock

Shares in Renault lost 5 per cent of their value on the Paris stock exchange after the French carmaker's chairman confirmed the group expected to report a full-year loss.

Alcatel head wants to show his hand Market scepticism over Alcatel's ambition to take over Thomson, the French defence and consumer electronics group, is evident from the slide in Alcatel's share price since May last year.

Sprint forges pact with RadioShack Sprint, the US long-distance telephone company, unveiled an unusual pact with RadioShack, one of the country's leading electronics retailers.

Henderson rise earns Lee HK\$2.6bn Mr Lee Shan-keo, who with his family owns two-thirds of Henderson Land Development, one of Hong Kong's biggest property concerns, will bank about HK\$2.64bn (US\$41m) as a result of a special cash bonus of HK\$1 a share and a rise of 10 per cent in the final dividend.

Australians set for Warner cinema stake Village Roadshow, the Australian film and entertainment group, said it was likely to take a 50 per cent stake in Warner Bros' cinema interests in the UK and Germany.

Pru chief plays down acquisition talk Mr Peter Davis, chief executive of Prudential Corporation, the UK's largest life insurer, sought to damp expectations of imminent acquisitions in the wake of Pru's £1.75bn (\$2.7bn) disposal of Mercantile & General, its reinsurance arm, to Swiss Reinsurance.

Sugar subsidies come under fire Sugar subsidies are estimated to cost US consumers alone \$2bn a year, according to the Washington-based International Policy Council on Agriculture, Food and Trade. The council is urging trade ministers to embark on reform of sugar policies at their first World Trade Organisation meeting in December.

Forestry shares slip despite pulp rise Shares in Swedish and Finnish forestry groups fell sharply in spite of a pulp price rise announced by JPM-Kymmene of Finland, Europe's largest forest industry group. The Swedish forestry index fell 2.65 per cent, while in Finland the sector lost 2.1 per cent.

Companies in this issue

Table with 3 columns: Company Name, Share Price, Change. Includes AGF, Airbus, Alcatel Alsthom, Aradigm Holdings, Aweril Cruise Line, BSKYB, Belcaro, CGIP, Calsonic, Cerus, Chateau Properties, Christie's Int, Coats Viyella, Compass Group, Credit Communal, Cummins Engine, Dable, Deutsche Bank, Deuts, Freightliner, GEC, Glaxo, HK Shanghai Bank, Henderson, Henderson Land, Hydro-Quebec, Hyundai, IRSA, Johnston Engineering, JODD.

Market Statistics

Table with 3 columns: Index Name, Value, Change. Includes 3-Month Govt Bonds, 3-Month US Treasury, FTSE 100, Nikkei, etc.

Chief price changes yesterday

Table with 3 columns: Company Name, Price, Change. Includes AGF, Airbus, Alcatel Alsthom, Aradigm Holdings, etc.

New York and Toronto prices at 12:30pm.

Kirch threatens pay-TV supply

By Raymond Snoddy in London

Kirch, the German media group, is threatening to cut off the supply of programmes to Premiere, the German pay television channel in which it has a 37.5 per cent stake, because of increasing tensions between the channel's shareholders and watchdog opposition to BSKyB, the UK satellite company, taking a stake in the channel.

It is believed that Kirch is irritated that Bertelsmann, which owns 37.5 per cent of Premiere, appears to be running the channel at the moment and that Canal Plus, the other shareholder in the venture with a 25 per cent stake, has turned from an ally to a competitor though its planned merger with Net-Hold, the pay-TV subsidiary of Richemont of South Africa.

The Munich-based Kirch Group has recently signed a joint venture with BSKyB to develop digital satellite television in Germany and it is keen that the UK company should be able to take a stake in Premiere.

However, Germany's federal cartol office said this week that it might advise the European Commission to prevent British Sky Broadcasting, the UK satellite company, from taking a 25 per cent share in Premiere. "If BSKyB took a stake you would have all the big European players competing operating together," it said.

Kirch owns the rights to most feature films in the German market and in July launched a 19-channel digital television venture, DFL, which already has 5,000 subscribers.

Apart from ensuring that BSKyB become a partner in Premiere, Kirch also wants to see much greater co-operation and cross-promotion between Premiere and the DFL digital service.

Recently Kirch accused Premiere of promoting the showing of the film Forrest Gump as "explosive" when it was also available on DFL.

Kirch may decide to turn its back on the channel, despite its investment, and concentrate on the digital satellite market. Premiere has taken six years to reach 1.2m subscribers and is not yet in profit.

Kirch is at least prepared to threaten withdrawal of programming for which it holds the German exclusive rights. According to a German television executive close to the Kirch organisation, a number of programming deals could be cancelled "in months rather than years".

Across Europe the big pay television companies have been staking out their exclusive territories with Kirch and its new partner BSKyB appearing to hold most of the aces.

Motorola slides on warning over chip demand

By Louise Kehoe in San Francisco

Motorola, the semiconductor and communications equipment group, yesterday issued a warning that profits for its third quarter to September 28 would be significantly lower than expected.

Earnings would be more than 25 per cent below the 50 cents a share consensus projections of Wall Street analysts and far short of second-quarter net earnings of 54 cents a share, the group said.

Motorola's share price dropped sharply on news of the warning, hitting a low of \$48 1/8 in early trading - more than 7 per cent down from Tuesday's close of \$52. By mid-session, however, it had recovered to \$49.

Motorola said "continuing weakness in pricing and unit demand", for semiconductor products was the biggest factor affecting third-quarter earnings. The company had seen a "sharp decline in its operating profits" in its semiconductor business.

Christies rises 57% to £15.9m in first half



Good health: First-half profits before tax at Christie's International rose 57 per cent to £15.9m (\$24.8m). The fine art auction house auctioned everything from van Gogh's painting 'Interieur d'un restaurant' for \$10.2m to yesterday's sale in London of Guinness memorabilia (above). Story, Page 21

Coats Viyella's exit hits profits

By Jenny Lueby in London

Coats Viyella, the UK textiles and engineering group, has become the latest victim of a global textile industry relocation, announcing a 34 per cent decline in interim pre-tax profits yesterday after large charges to finance its move away from western Europe.

Mr Neville Bain, chief executive, said "relocating the group's global threads business and some of its UK clothing operations would cost \$55m (£85.8m) this year and involve 7,750 job cuts, or 12 per cent of the workforce.

The group took £17.2m of the charges for the reorganisation in the first half, cutting pre-tax profits to \$47m, from £70.8m last time. The remainder will be taken in the second half, when the group traditionally earns two-thirds of its annual profits.

The group is closing 20 factories, including 12 in the UK. Around 4,500 job cuts have been announced so far, including 2,400 in the UK. Most of the remaining cuts will be in continental Europe and India.

The biggest shake-up, costing £32m, is in the threads business, which accounts for nearly half of group sales and in which Coats Viyella's sales base has shifted away from western Europe.

It was also suffering from "institutionalised overmanning" in its Indian operation, which it hoped to address by voluntary redundancies. Last year, the group employed 14,000 people in India. This was down to 12,500, and "we only need 8,000", said Mr Bain.

The group planned to spend £12m relocating some of its clothing production away from the UK - in Poland, Hungary, Morocco, Sri Lanka, China, India and Indonesia. Meanwhile there were signs of recovery in the textiles market, said Mr David Alliance, chairman.

Group sales rose 6 per cent, to £1.2bn (£1.1bn), in the first six months of the year. However, operating profits fell 11 per cent, and underlying pre-tax profits were down 18 per cent, depressed by climbing Indian interest rates. The reorganisation programme was expected to deliver gains of £10m across 1996 and £25m next year, said Mr Bain.

Reuters' special share will give investors £613m

By Christopher Price in London

Reuters, the media and information group, yesterday said it would return \$613m (£386m) to shareholders through the innovative creation of a special dividend share.

The scheme is designed to reduce the company's cashpile by returning money to shareholders in a tax efficient way while satisfying UK and US tax authorities.

The shares, which will be quoted on the London stock market and Nasdaq in the US, will provide investors with regular dividends over a three-year period to the value of 75p a share.

Reuters had \$580m in cash at the end of 1995 and indicated earlier this year its intention of returning a sizeable proportion to shareholders.

The latest move follows a share buy-back three years ago when Reuters bought \$350m worth of its shares through a tender offer to shareholders.

However, some pension funds had bought Reuters shares during the offer period - only to sell them back to the company in order to claim a tax credit. The Inland Revenue, the UK tax authority, recently indicated to Reuters it would not approve this type of scheme again.

He said a series of special dividends - one option considered by the company - would not give shareholders the choice of either receiving the money immediately or receiving it in dividends.

The special dividend share was also more equitable than a straightforward share buy-back which favoured institutional shareholders.

The company said that, while the scheme did not have "comprehensive UK tax clearance" from the Inland Revenue, its advisers believed the proposal avoided any tax disadvantage.

Because gross funds do not pay tax, they can claim tax credit on dividend payments. At current rates of advanced corporation tax, gross funds, such as pension funds, would be able to claim 125p tax credit on the special dividend shares. This would equate to a value of 93p for the shares over the three years. Their value when they start trading in a month's time is likely to reflect this, albeit on a discounted basis.

Reuters' shareholders will receive one special dividend share and 19 ordinary shares for every 20 ordinary shares held. The consolidation will result in a 5 per cent reduction in the number of ordinary shares in issue. Reuters shares rose 15.5p to 785.5p yesterday following the announcement.

Each special dividend share will pay six net dividends of 125p each. The first is to be paid on November 25 and other payments will follow at six-monthly intervals thereafter. Lex, Page 14

Toshiba enters US desktop market

By Michio Nakanomoto in Tokyo

Toshiba, the electronics company that is a world leader in sales of portable personal computers, is to tackle the US desktop market where other Japanese manufacturers have struggled to make a mark.

The company yesterday made its entry into the market with the launch of a home entertainment multimedia PC. It hopes its new Infinia desktop PC, aimed specifically at the US home market, will kickstart a big expansion of its global PC operations.

The move, which follows the launch by Sony last month of a multimedia PC in the US market, highlights the growing attraction Japanese electronics makers see in the expanding home multimedia PC market.

Japanese producers of electronics and computers, such as NEC, Toshiba and Fujitsu, have not been a significant force in most PC markets outside Japan. The only exception has been in the portable PC market where Toshiba has been a front-runner.

In the last quarter, Toshiba secured the highest share of the US portable PC market at 23.7 per cent, followed by IBM with 12.5 per cent, according to IDC, the high-technology consultancy. Toshiba also enjoys the top market share in the worldwide portable PC market with 18.8 per cent, says IDC.

However, Japanese PC makers have not captured much of the larger worldwide desktop market, which makes up about 80 per cent of the entire PC market.

Japanese PC makers that are also consumer electronics makers are confident they understand the home market better than PC manufacturers.

Both Toshiba and Sony have emphasised that their PCs are easy to use. Toshiba's Infinia is black and, depending on the model, can be used as a TV, radio, CD player and telephone.

The price ranges from \$2,799 to \$1,699. Toshiba is aiming to sell 270,000 units of the Infinia in the US to the end of the fiscal year in March, and 1m units in its second year. It plans to introduce home-use multimedia PCs gradually in other markets.

Commercial International Bank (Egypt) S.A.E. advertisement featuring the CIB logo, details of a global offering of 9,999,000 Global Depository Receipts, and contact information for ING Barings.

COMPANIES AND FINANCE: EUROPE

Shares slide as Renault confirms loss fears

By David Owen in Paris
Shares in Renault lost 5 per cent on the Paris stock exchange yesterday...

hoped to achieve a 10 per cent share of the European car market in 1996.
"This should be attained thanks to the new vehicles we will announce at the start of October...

came a day after the group unveiled a more than 90 per cent decline in first-half profits, and warned of a probable full-year loss.
The company's bleak outlook than expected assessment of the second-half outlook appeared to trigger a sell-off of the shares...

ing income in its car division would show only a "slight improvement" from second-half 1995 levels, when it incurred a FF1.35bn (\$262.4m) operating loss.
Commercial vehicles would also slip into loss because of "the combination of a continued downturn in the cycle in the US and a marked slowing in European markets".

disappointment of the first half had been the performance of commercial vehicles, which made operating profits of FF26m, down from FF51m a year earlier.
"Sales fell in the US and the expected upturn in Europe did not materialise," he said.

the group would accelerate the pace of a cost-cutting programme launched in March, and would maintain its long-term objective of manufacturing a quarter of its vehicles outside France.
He said he was "delighted" at the emergence of a new option for keeping Valeo, the automotive parts maker in French hands.

Glaverbel hit by decline in glass prices

By Neil Buckley in Brussels
Belgium's Glaverbel, Europe's third-largest glass maker, said a fall to a historic low in glass prices and the economic downturn in Europe were behind a 19 per cent fall in first-half net profits from FF366m to FF298m (\$9.77m).

European downturn was the "worst in recent years", although a recovery had begun in the final two months of the period.
Operating profit fell almost a third from FF1.55bn to FF1.1bn, but Glaverbel said the fall in net results had been limited by a fall in interest rates, the sale of its glass bead activities last December, and preference stock repaid in December by AFG Industries, the US glass maker in which Glaverbel had a stake.

from FF19.13bn to FF18.34bn, with sales at one point in March running 8 per cent below last year.
Glaverbel decided in June to exercise its sell option on its 41.78 per cent common stock holding, and 36.05 per cent holding of non-voting preferred stock in AFG. All but a residual 10 per cent stake was sold to Asahi Glass of Japan, Glaverbel's own majority shareholder, for FF7.2bn in August.

group's balance sheet and provide funds for other acquisitions. AFG's dividend prospects were not high enough to cover the financial charges on Glaverbel's stake.
The company said earlier this year that it was studying locations for a 250m (\$78m) plant in the UK to make car glass - a sector in which it is under-represented compared with bigger rivals Pilkington of the UK and France's Saint Gobain.

affected by the contraction in the European market. The group had taken action to correct overcapacity by closing down a float glass furnace in its Czech subsidiary Slavion for repairs from February to August.
The first-half contribution from AFG Industries of the US also fell slightly.

European countries was continuing, leading to forecasts of rising glass prices.

Elan buys remaining ATS stock

Elan, the Irish based pharmaceutical company, is paying \$141m for the outstanding shares of Advanced Therapeutic Systems, an off-balance sheet entity launched by Elan to develop a number of drug delivery technologies, writes Eileen Murray Brown in Dublin.
The company said the transaction would result in a one time charge.

Bekaert hurt by sales weakness in Europe

By Neil Buckley
Bekaert, the Belgian steel wire and cord manufacturer and the world's largest independent producer, said a deterioration in its European markets led to a 27 per cent fall in net first-half profits, to FF1.31bn (\$42.2m).

cent this year from FF1.1bn last year, owing to a cyclical downturn in Europe.
However, the full-year result would still be "substantially higher" than last year, including an exceptional gain of FF2.2bn on the sale of 10.1m shares in its Japanese steel cord joint venture Bridgestone Metal-pha in July.

acquired during the year. Excluding Rosler and Trefl, sales fell 3.6 per cent.
Overall sales volume fell 6.6 per cent, while currency fluctuations also knocked 0.8 per cent off the total. This was offset by a 6.3 per cent increase provided by Rosler, and Trefl added 6.3 per cent. There was also a 3.9 per cent increase in selling prices.

from FF1.92bn to FF1.22bn - and lower production led to a 34 per cent fall in operating profit, from FF2.50bn to FF1.65bn.
Sales volumes in the steel wire and steel wire products business - which sells mostly to the building and car industries - rose 4.2 per cent overall. However, sales volumes in steel cord, used mainly to produce tyre cords, fell 5.6 per cent, hindered mainly on lower sales in Europe.

end of the second quarter.
However, sales in new activities launched by Bekaert, including thin metal fibres - used in airbags and filters - rose 9 per cent in total.
The company said its expanding operations outside Europe, particularly in Latin America and China, were still performing well. It expected steel wire in the Americas to continue to make good progress, while steel wire would benefit from an upturn in the economy.

VA Tech cautious despite rise in first half

By Eric Frey in Vienna
VA Technologie (VA Tech), the Austrian engineering group, yesterday reported a 29 per cent rise in group net income for the first half, from Sch294m to Sch378m (\$55.6m).

any extraordinary profits from property sales.
Mr Pühringer said he was happy with the first-half operating results, and predicted further growth in the second period. Pre-tax profit jumped 50 per cent from Sch322m to Sch484m, and order inflow climbed 20 per cent from Sch17bn to Sch20.3bn. Orders on book reached Sch7.7bn, a record high.

tion. The worldwide market share for Corex should triple to 3 per cent by the 2000, equivalent to 15 new plants a year, the chairman forecast.
Mr Pühringer said VA Tech had cut its stake in VA Stahl, the steel company that was once part of the same state-owned Vöest Alpine group, from 22.7 per cent to 21.2 per cent, by selling 500,000 shares to a US investor for an undisclosed amount. At current market prices, the stake would be worth Sch665m.

push VA Tech's stake in VA Stahl below 20 per cent, so VA Tech would not have to consolidate profit contributions from the cyclical steel market in its group results, he said.
Mr Pühringer was optimistic about the court battle with Norwegian engineering company Kvaerner over accusations of industrial espionage by a VA Tech subsidiary during bidding for a large order from a Saudi steel plant. Kvaerner has dropped the charges of espionage, and VA Tech has won

a preliminary ruling forbidding Kvaerner from publishing damaging reports on the competitor.
Kvaerner still claims that managers from Davy, a Trafalgar House subsidiary, took classified documents with them when they switched to VA Tech after Kvaerner acquired Trafalgar House. Even if that were true, VA Tech claims, it would not have made a difference to the successful bid for the Saudi plant, since VA Tech was far ahead of Davy in its technology.

ParisCiba resignation
ParisCiba, the Swiss pharmaceutical group merging with Sanofi to create Novartis, said Mr James Callaghan, US Pharmaceuticals division president and designated chief executive of Novartis Pharmaceuticals, had resigned from his positions.
Mr E.J. Fullagar, chief executive of Sanofi US Corporation, will act as the designated chief executive of Novartis Pharmaceuticals until a new appointment is made.

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NEWS DIGEST Crédit Communal up 41% in half

Crédit Communal de Belgique said first-half net profits after minority interests rose 41.3 per cent from FF3.83bn a year earlier to FF5.41bn (\$1.77m). Mr François Narmon, chief executive, said the 40 per cent first-half rise was exceptional. He declined to forecast a growth rate for the second half, but said it would stay very positive.
Income from interest rose 5.1 per cent from FF19.7bn to FF20.7bn and other income was up 30.9 per cent from FF8.5bn to FF11.1bn. Depreciation, write-downs and provisions fell 5.9 per cent from FF5.58bn to FF5.25bn. The results include Crédit Communal's share of profit from its 12 per cent stake in Banque Bruxelles Lambert, which was not included a year earlier. Crédit Communal continues to hold between 95 per cent and 98 per cent of the market in lending to public authorities, despite efforts by competitors to offer alternative products. A Crédit Communal executive said that competitors were offering public sector customers cheaper short-term lending, instead of the longer-term credit which Crédit Communal advises.
Mr Narmon said the FF15bn rights issue announced yesterday by Générale de Banque for September 19, part of a strategic alliance with Crédit Local de France, would have very little effect on the planned share introduction and placing of Crédit Communal shares. Local authorities, which are the bank's shareholders, are reacting favourably to the plan to put between 25 per cent and 30 per cent of Crédit Communal's shares on the bourse via a cut in their stakes, he said.

Daimler drops telecoms bid
Daimler-Benz InterServices (Debis) will not bid for the licence to operate the digital E2 network, Germany's fourth mobile telecommunications service, said Mr Klaus Mangold, chairman. The board of Daimler-Benz, the parent company, has approved the decision, he said. Two weekly magazines recently reported that Debis and AT&T Corp would bid for the E2 licence. VIAG and RWE, associated with British Telecommunications, have said they were bidding to run the network. Candidates have until October 15 to bid for the licence to be awarded in February.

COB to probe leak on CGIP
COB, the Paris bourse regulator, is opening an inquiry into the release of information concerning a possible tie-up between Cie Générale d'Industrie et de Participations (CGIP), and Cie Européennes Réunies (Cerus) and Valeo, the French automotive components maker.
The investigation was announced as Mr Ernest-Antoine Seillière, CGIP chairman, said complete control of Valeo was out of the company's reach. He said a decision on Valeo could be expected at the beginning of October. He told Les Echos newspaper that any operation on Cerus, which owns a substantial stake in Valeo, would be complex owing to legal and tax questions and the company's liabilities.

Saint Louis down in first half
Saint Louis, the French food group, said its net profit in the first half fell from FF468m last year to FF262m (\$61.67m). The fall was due to the decline in the paper sector, with operating profit in this division falling from FF296m last year to FF179m.

مكتبة الاموال

NEWS DIGEST

Airbus chief calls for restructuring

Airbus Industrie, the European aircraft manufacturing consortium, loses too much money through decentralisation, according to Mr Edgard Reuter, chairman of the supervisory board, in an interview to be published in today's issue of Die Woche. He did not estimate the cost of conflicts between Airbus's various decision-making centres, but said it was undoubtedly too high. The company is owned by Daimler-Benz of Germany, Aérospatiale of France, British Aerospace and CASA of Spain.

Mr Reuter said Airbus must restructure so it could negotiate rapidly. "The company is currently run by 66 committees," he said. Asked about the absence of a profit or loss figure for Airbus, Mr Reuter said this was one of the big worries. "We have no consolidated figure for the units which co-operate in the production of an Airbus... we do not know what the Airbus group looks like in figures," he said.

Mr Reuter said Airbus should aim to compete with Boeing of the US and that it should become a company that relies on its shareholders' funds rather than on state aid.

AFX News, Hamburg

Mercedes denies China row

Mercedes-Benz, the German automotive group, is still working on a feasibility study for the production of a multi-purpose vehicle with its joint venture partners Hainan Automotive Factory and Sanxing Motor, the company said. It was responding to a newspaper report that its Chinese venture had been delayed by disagreements with its partners. All partners remained committed to the joint venture, it said, and chairman Helmut Werner would visit China to sign a joint venture agreement for the production of buses.

AFX News, Stuttgart

VW quiet on shake-up report

Volkswagen, the German carmaker, has dismissed a report that management board chairman Mr Ferdinand Piëch planned to curb two board members' responsibilities as speculation. However, it would neither confirm nor deny the report. In its latest edition, German news magazine Der Spiegel reported that Mr Piëch would trim the portfolios of Mr Ulrich Seiffert and Mr Martin Posth.

VW's Mr Karl-Guenther Horning said the supervisory board was mandated to assign management board duties, and that the group had not taken a decision to alter the positions of Mr Seiffert and Mr Posth. The magazine reported that Mr Piëch planned to take over Mr Seiffert's responsibilities for car development, leaving him to handle only the environment and research portfolio.

Mr Posth, head of the Asia-Pacific region, would reportedly no longer be responsible for Japan, and his contract would not be renewed, the magazine said. Both Mr Seiffert and Mr Posth were appointed to the board by Mr Carl Hahn, Mr Piëch's predecessor.

Reuters, Hamburg

KHD management survives

A turbulent annual general meeting of Deutz, formerly Kloeckner-Humboldt-Deutz (KHD), ended with the management being endorsed - effectively a vote of confidence in the company - even though the meeting lasted more than 12 hours. However, analysts said, the vote did not mean the problems at the troubled engineering company were over.

"Their situation is still very difficult and this doesn't represent any turnaround in their fortunes," said Mr Axel Luther, analyst at BHF Bank. At 8pm in Germany, shareholders vote to approve or endorse the management board every year. A number of shareholders, grouped primarily under the organisations DSW and S&E, had signalled their intention to put counter-motions, denying management board members their approval until state prosecutors have completed investigations into losses at the group's Wedag unit. The losses from three large Saudi Arabian orders were uncovered earlier this year and pushed the whole KHD group to the brink of collapse.

DSW said it wanted to voice its disapproval of both the management and supervisory boards because of the magnitude of the losses and the lack of clarity about how they came about. Analysts were doubtful, however, whether such counter-motions could be successful, because Deutsche Bank - whose board member Mr Michael Endres is head of Deutz's supervisory board - is Deutz's largest shareholder, with a stake of just under 50 per cent. Together with other banks, Deutsche could collect enough votes to push through the endorsement of the management in spite of the opposition of smaller shareholders.

"There was really no question that the management wouldn't be endorsed," said BHF's Mr Luther. "Such cases are very, very rare." Although Deutz is forecasting break-even for 1996 on sales of around DM3.5bn (\$2.2bn), this would include money from the rescue package and did not actually represent operational improvements, said Mr Luther.

AFX News, Frankfurt

KME up despite weakness

KM Europa Metal (KME), the international copper products company controlled by Italy's Orlando group, reported a pre-tax profit of DM54.1m (\$36.1m) in the six months to June 30. In the first half of 1996, before a restructuring which brought the Italian group Europa Metall under KME's control, the group reported profit of DM61.2m before tax.

KME, quoted in Frankfurt, is controlled by Mr Luigi Orlando, one of Italy's best-known entrepreneurs, through SMI and its parent GIM, both listed in Milan. Following the June 1995 restructuring, SMI owns 73 per cent of KME, which claims to be the world's largest manufacturer of copper alloy products, with subsidiaries in France, Spain and Italy.

KME said it had achieved growth because of continued cost-cutting and productivity improvements, and against the backdrop of weakening economies in western Europe.

Andrew Hill, Milan

Tchuruk waits to show hand on Thomson

The Alcatel chairman faces market scepticism in his bid to take control of the defence and electronics conglomerate

The recent plunge in the share price of Alcatel Alsthom, France's telecoms and engineering combine, is a measure of the scepticism with which the market views Mr Serge Tchuruk's ambition to take over Thomson, France's defence and consumer electronics giant.

Since close of trading on March 28, when the Alcatel chairman made his interest public, his company's shares have slid on the Paris stock market from more than FF450 a share to less than FF400.

This is below the level at which they stood when they emerged in May 1995 that Mr Tchuruk was set to become Alcatel chairman. It is also a world away from the peak of FF902 they touched briefly at the start of 1994.

Nevertheless, Mr Tchuruk has largely been content to keep his own counsel. One of few insights into his thinking came in a short Business Week interview in May.

"Thomson is strong in areas like multimedia, digital decoders and satellites that are important to us", he told the US periodical. "How could I not be interested?"

He has also suggested, in comments that must have gone down well with the French government, that Alcatel would keep the two halves of Thomson together, saying the electronics group was "too fine an enterprise to be broken up".

Together, the two companies would create one of the very largest of French private enterprises, with an annual turnover, based on 1995 figures, of more than FF250bn (\$44.7bn).

However, analysts have remained wary of an Alcatel bid for Thomson on at least three counts.

First, they point to a distinct shortage of obvious overlaps between the businesses. According to Morgan Stanley, the US brokers, the estimated "real synergies" of a takeover of Thomson by Alcatel are limited to - at best - about 30 per cent of Thomson's sales. These come in military communications, space and satellites, airborne defence and components.

Morgan Stanley notes that Alcatel's strength in radio transmission - it is the world leader in microwave transmission - would be par-

ticularly appropriate for Thomson's defence interests. Secondly, there are doubts about the deal's timing. Alcatel is in the process of a wide-ranging restructuring launched last year by Mr Tchuruk and reflected in FF23.1bn in exceptional provisions and depreciation charges that resulted in 1995 losses of FF25.6bn, the largest in France's corporate history. First-half 1996 turnover figures and last month's disclosure that telecoms orders were up more than 20 per cent, suggest this is going well.

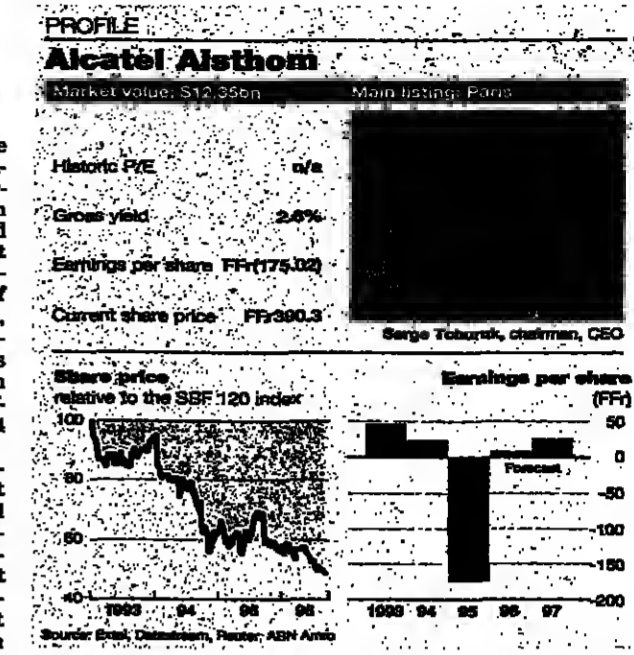
Nevertheless, many analysts believe the company should continue to concentrate on restructuring rather than seeking to branch out further afield. Said one: "I think it would be very negative for Alcatel to go headfirst into such a large business when it is pretty clear it has not broken the back of its own problems."

The third problem is the level of debt that would need to be accommodated. Thomson's net debt at the end of 1995 amounted to FF23.6bn; Alcatel's was FF20bn, leav-

ing gearing at 61 per cent. In addition, there is the question of Thomson Multimedia's operating performance. Thomson warned in its recently circulated annual report that market trends in consumer electronics in the first months of 1996 "continued to decline, particularly in the US television markets". This comes after a year when Thomson Multimedia's operating profits fell from FF604m in 1994 to FF382m.

Some analysts argue, furthermore, that the recent announcement that Alcatel and Britain's General Electric Company are considering the merger of their joint venture in power engineering and transport equipment with Framatome, the French nuclear plant maker, has further confused matters. Said one: "To me it is very muddy; it doesn't make anything clear at all."

Others were disappointed because the announcement suggested Alcatel had every intention of staying in the power engineering business, rather than concentrating on telecommunications, as they would have preferred. "The market would have liked



Alcatel to get out of both GEC Alsthom and Framatome", said Morgan Stanley's Ms Devika Malik. "That would have released cash and made them more focused, although political circumstances may have made this option impossible."

Observers may not have much longer to wait for a fuller explanation of Mr Tchuruk's actions. Formal Thomson bids should be in the hands of the French government in the next few days.

Either occasion may give Mr Tchuruk the opportunity to set out his strategy in more detail. In the meantime, the shares remain in the doldrums.

David Owen

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COMPANIES AND FINANCE: ASIA-PACIFIC

HK property pick-up earns Lee HK\$2.64bn

By Louise Lucas in Hong Kong

The man who, together with his family, owns two-thirds of Henderson Land Development, one of Hong Kong's biggest property concerns, is banking some HK\$2.64bn (US\$341m) as a result of a strong year for the company.

Mr Lee Shan-kee benefits from two bumper pay-outs: the company is continuing its trend of awarding a special cash bonus of HK\$1 a share, and the final dividend has been raised 10 per cent from HK\$1.30 to HK\$1.43 a share.

The full-year result from Henderson Land beat market expectations with an 18.97 per cent rise in net profits

from HK\$7.08bn to HK\$8.36bn for the year to June 30 1996.

Henderson attributed the growth in profits to a pick-up in Hong Kong's residential property market.

Mr Lee said the prices of homes in good locations have generally rebounded to the high levels seen in 1994, when the market peaked.

He added that banks have assisted in the recovery by relaxing mortgage terms and reducing interest margins to attract more customers.

He also reported more growth and activity in the office and shop sectors, but noted that the market for industrial properties was still sluggish.

Henderson boasts a total

development landbank of 24.2m sq ft gross floor area in Hong Kong, which includes its interests in development sites.

In the year to June 30, total gross rental income of HK\$1.9bn showed a 37 per cent improvement over the previous year.

Earnings per share rose 17.27 per cent from HK\$4.40 to HK\$5.16.

Looking ahead, Mr Lee foresees the demand for local housing as remaining strong, in part a result of the 50,000 plus immigrants from China who are permitted to settle in Hong Kong each year.

The group also reported results for Henderson China, the China property arm spun off earlier in the year.

Net profits soared from HK\$22m to HK\$64.18m. The biggest contributor was the property development business, specifically office towers in Beijing and residential blocks in Shanghai. Shareholders are to receive a dividend of 15 cents.

Henderson Investment, which is 64.14 per cent owned by Henderson Land, saw its net profits climb 15.9 per cent from HK\$1.63bn to HK\$1.89bn for the year to June 30.

Earnings per share rose 12.5 per cent from 64 cents to 72 cents over the same period, and the directors are proposing a final dividend of 28 cents, an improvement of 12 per cent on the previous year's 25 cents.



Lee Shan-kee: house prices have recovered to 1994 levels

Australians set to buy stake in Warner cinemas

By Nikki Tait in Sydney

Village Roadshow, the Australian film and entertainment group, said yesterday that negotiations to buy into the US-owned Warner Brothers' cinema interests in the UK and Germany were at an "advanced" stage, and would probably involve Village taking a 50 per cent stake.

The group, in which Britain's United News and Media holds a 19.5 per cent interest, first disclosed its talks with Warner Bros three months ago.

Mr Robert Kirby, Village chairman, said in a statement that the two companies planned to "substantially expand the existing circuit" in England and Germany.

Warner Brothers currently operates 135 screens in the UK, on 15 sites, including some in London's West End.

It also has 17 screens at two cinemas in Germany's Ruhr Valley. The US and Australian companies already have significant links, having been partners in a couple of theme parks on Queensland's Gold Coast for some years. They have also formed a joint venture to build 18 new "megaplexes" - each housing about two

dozen screens - in Australia over the next three years.

The update on the European cinema joint venture came as Village reported an after-tax profit of A\$47.5m (US\$38m) in the year to end June, up from A\$38m last time. Earnings per share rose from 14.7 cents to 17.8 cents, while sales increased from A\$246.5m to A\$297.1m.

The company said that the sales rise was partly due to a strong performance by the Gold Coast theme parks and its radio interests. The multiplex cinemas in Australia, Singapore and Thailand posted higher earnings. Village added two Singapore sites, two in Bangkok, and its first two in Malaysia as well as an additional 97 in Australia and New Zealand.

The first quarter of the current year, it added, had started "very strongly", with initial trading in all divisions said to be on budget.

Village shares closed steady at A\$5.73 yesterday. In June, Mr Kerry Packer's Publishing & Broadcasting group placed out its stake in Village, prompting some analysts to wonder whether the entertainment company - which has had a meteoric rise over the past three years - might be peaking, and possibly overstretching, with the European deal.

WMC cautious about joining the big league

The Australian mining group is considering broadening its portfolio, writes Nikki Tait

Ask Hugh Morgan, head of Australia's WMC resources group, if his company will eventually make the leap into the "big league" of international mining companies, and he seems to anticipate the question before it is finished.

"You know, people demand a lot," he says ruefully, pointing out that WMC has just spent A\$1bn (US\$795m) - almost 25 per cent of its shareholders' funds - on capital projects during the past year.

But the reason the question may seem familiar is that analysts matter it frequently. Within the Australian mining sector, BHP stands head and shoulders above its rivals; CRA, even before last year's formal tie-up with London-based RTZ, also offered scale and diversity.

WMC almost climbs into the same class. Its A\$9.5bn market capitalisation makes it Australia's eighth largest listed company, but its portfolio remains more limited, centred around five minerals. Operations are still predominantly domestic.

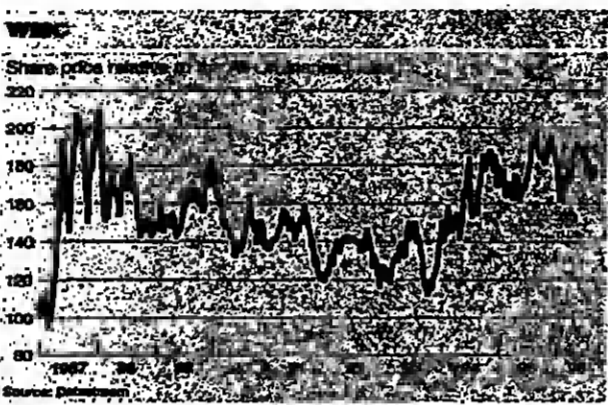
Explanation for WMC's failure to break into the "big

league" are various. Morgan himself points to the break-up of the former Soviet Union, and the disproportionate effect which this had on the Australian company in the early 1990s.

"We had spent 30 years building up a diversified portfolio which almost exactly matched the outflow of products from the former USSR. There was gold, nickel, aluminium, uranium... it was exactly our portfolio," he says.

BHP and CRA had the buffer of large coal and iron ore assets. "That gave them a very strong underlying earnings flow at a time when the world was having to digest some two, three, four years' additional supply in other areas."

Mr Morgan concedes this is not the whole story. Momentum was lost in the late 1980s when WMC made a disastrous foray into the Canadian gold business. To compound these woes, there was a trespass debacle at the Ernest Henry deposit in northern Queensland, which caused WMC to lose the promising copper/gold resource. By 1993, calls for Morgan's head were mounting, and the missteps culmi-



Share price fluctuations

nated in an extremely sticky annual meeting.

Today, the WMC boss admits that 1993 was "an embarrassment". But he takes issue with the suggestion this was the point at which WMC started to get its act together. "There was nothing that happened in 1993 that did not relate back to 1987, other than Ernest Henry," he says.

Certainly, since the mid-1990s, shareholders have had fewer grounds for complaint. WMC's share price has climbed from a low of A\$2.65 in 1993 to about A\$8.50. The group has also recovered from a A\$21.2m loss in

1991-2, to the 1995-6 after-tax profit of A\$386.2m announced last week.

On the operational front, substantial moves have included buying into Alcoa's global alumina operations and a big, well-timed expansion of the Western Australian nickel operations. Management has been bolstered, while most employees have shifted onto a more flexible individual contract basis.

But the question for analysts is where does WMC go from here. Last month, the company unveiled plans for a large expansion of its Olympic Dam copper-uranium project in South Australia, and Mr Morgan says there will be further announcements shortly.

"We have just committed to A\$1.2bn on Olympic Dam... I would expect before the end of this [calendar] year we would have something on St Ives [the WA goldmining operation], which will be a major expansion." Another possibility is the go-ahead for a A\$600m fertiliser project in Queensland.



Hugh Morgan: head of WMC

West nickel joint venture in Cuba.

Even so, some pundits worry that plunging money back into nickel and copper may not provide the impetus required to make the big leap.

Mr Morgan acknowledges the demands, but warns about pushing too fast. "If you force the pace, you accept: the price in the marketplace at the time, and in most of the best things we have done, timing has been critical."

However, Mr Morgan - whose father also ran the 63-year-old company and did much to shape its earlier fortunes - admits to the desirability of broadening the portfolio. "Part of our objective is to establish additional core business units - and there's a whole range of products that might mean".

Pushed to be more specific, he says it would have to be "commodities in which there's room for us to have a reasonable slice of the world market and be capable of growing."

"There's a portfolio of minerals which could provide that opportunity. It does not count out - or specifically identify - coal or iron ore."

NTT plans to hive off phone inquiry service

Nippon Telegraph and Telephone, (NTT), Japan's largest telecommunications carrier, is to commission 12 subsidiaries to take over its loss-making telephone directory service, Kyodo reports from Tokyo.

It would also cease providing the enquiry service between 10pm and 8am as early as next summer, the company said yesterday in a business reform plan.

The plan, aimed at coping better with the rapid penetration of multimedia, and

other technological changes in the telecoms industry, also includes spinning off a division which develops software for switching and fee collection.

These reforms should reduce NTT's workforce from the current 185,000 to 150,000 by 2000.

NTT's phone directory service costs the company about ¥200 per call, although it charges only ¥30. The division incurred an operating loss of ¥94.9bn (\$633m) in the year to end-March.

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مؤقتة العمل

COMPANIES AND FINANCE: UK

Pru damps imminent acquisition talk

By Motoko Rich

Mr Peter Davis, chief executive of the Prudential Corporation, the UK's largest life insurer, yesterday damped expectations of imminent acquisitions in the wake of its £1.75bn (\$2.7bn) disposal of Mercantile & General, its reinsurance arm, to Swiss Reinsurance.

"We will not be rushed into doing something or paying too much," said Mr Davis as the group unveiled an 8 per cent rise in interim operating profits to £421m. "We are interested in developing a branch network, and a holding society would be an interesting way of doing that, but not the only way."

Including actual realised investment gains - which make pre-tax profit figures volatile - pre-tax profits dipped from £499m to £361m. The operating figure is considered more stable because it includes averaged investment gains.

The increase in operating profits was struck after £33m in start-up costs for the group's bank, which will be launched in October to take advantage of £1.8bn of life



Peter Davis: will not be rushed or pay too much

policies that mature annually. The bank is likely to incur a further £37m in start-up costs this year. It will offer deposit accounts and mortgages. The Pru's 6,000-strong direct sales force already arranges £700m of mortgages for other lenders each year. "So we will pick up the business we are already generating for our

competitors for our own benefit," said Mr Davis. The group's core UK operations contributed operating profits of £170m, down from £199m due to the banking start-up costs. Jackson National Life, the group's US arm, outperformed expectations, raising profits from £118m to £153m. M&G Re contributed £90m (£87m).

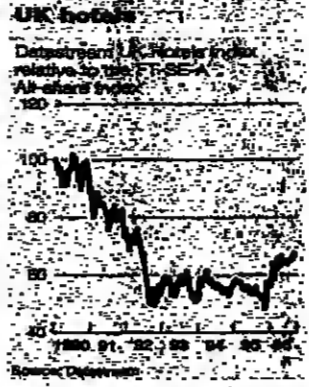
LEX COMMENT

Thistle

On the surface, the Thistle Hotels flotation looks a winner. Thistle is London's largest hotel operator, at a time when demand for hotel rooms is considerably outstripping supply. It offers a lower prospective price/earnings ratio and higher earnings growth than its peers. And Mr Robert Peel, its chief executive, has a deserved reputation for cost control. Beneath the veneer, however, its attractions are less compelling. The group's new depreciation policy looks the least prudent of all the listed UK hotel groups - and this is a crucial factor in profitability. Its tax rate is also currently the lowest.

Strip out these two factors and, at the bottom of the 170p-210p offer range, it looks pricier than its competitors, except the more casino-oriented Staks. The group's board of directors looks makeshift. And while one of the company's selling points is the potential return from refurbishing its existing hotel portfolio, this partly reflects the fact that it held back on expenditure during the recession. So it is now desperately catching up.

The group's biggest appeal is its Project 2,000, which will add 1,000 rooms in London alone through extensions to existing hotels. This expansion can be comfortably funded internally, and acquisitions have, thankfully, been ruled out. Given the outlook for the sector, the shares look attractive at the bottom end of the range. But at the top end, they are best left for the bulls.



Myanmar dulls Premier rise

By Jane Martinson

Increased production and rising oil prices helped Premier Oil, the independent exploration group, almost double interim pre-tax profits to £27.7m (£43.2m).

However, the lack of commercially viable oil from new wells, combined with evidence of continuing delays over an important deal in Myanmar dis-

appointed investors yesterday, and the shares eased 1/2p to 29 1/2p.

Mr Charles Jamieson, chief executive, said he remained confident that the plan to sell gas from Myanmar to Thailand would proceed. While the deal still needs final agreement, the two governments have expressed support.

The proposed plan, which accounts for some 42 per

cent of Premier's potential reserves, involves two oil partners: Texaco of the US and Nippon Oil of Japan.

Mr Jamieson played down the impact of mounting criticisms, especially in the US, of the political scene in Myanmar. The group had "contingency plans", he said, if Texaco's involvement became difficult, while delays so far were due to negotiations being "quite

complicated".

Sales rose 56 per cent to £56.9m (£36.4m) in the six months to June 30, helped by a 31 per cent increase in production and a 18 per cent rise in oil prices. Increased production of 28,350 barrels of oil equivalent a day resulted from three fields coming on stream, as well as a full contribution from Pict Petroleum, which was bought last year.

Hanson shares to shuffle

By Ross Tieman

Signs that UK institutions will be heavy sellers of Millennium Chemicals were confirmed yesterday, as grey-market trading began in derivatives of the four quoted companies to arise from the Hanson demerger.

Grey shares in the chemicals business, to be quoted only in the US, rose \$1 to a mid-price of \$31 during light trading. But UBS, which is making a market in Hanson Demerger Advanced Participation Securities, said interest in buying the shares came largely from the US.

The takeover is expected to lead to a huge share-shuffle around the world as institutions refocus portfolios. Arbitrage funds have yet to build positions.

About 30 per cent of the Hanson conglomerate is owned by US institutions. "The US investors want to get into the US bit and the UK investors want to get into the UK bit," UBS said.

UBS is posting an indicative bid price of 340p for Imperial Tobacco, and an offer price of 380p. The Energy Group, UK electricity distributor Eastern and Peabody Coal in the US, was 520p bid, 540p offer. The rump Hanson business was 45p bid, 45p offer.

RESULTS

Table with columns for Company, Period, Turnover, Pre-tax profit, EPS, Dividends, etc.

Table with columns for Investment Trusts, NAV, Attributable earnings, EPS, etc.

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. After exceptional charge. After exceptional credit. For increased capital. After special dividend. After special dividend. After special dividend. After special dividend. After special dividend.

Thistle valued at up to £1.24bn

By Scheherazade Daneshkhu

Thistle Hotels, the UK's second largest hotels group, yesterday set a price range of 170p-210p for its flotation next month, valuing it between £1.05bn and £1.24bn (£1.93bn).

The size of the offer of 21.6m shares will be \$20m - if priced at the mid-point of the range - of which £250m will be new money. About £150m of this is for the redemption of convertible loan notes.

Brierley Investments, the New Zealand group which has a 70 per cent stake, is reducing its holding to below 50 per cent. The Government of Singapore Investment Corporation and Temasek Holdings, two Singapore govern-

ment agencies, which own 30 per cent, will scale down their stake by the same proportion.

About 35 per cent of Thistle is being floated, through a placing with institutional investors in a book building exercise. There is also a small retail offer aimed at the hotels' customers who will be entitled to discounts.

The offer price will be announced on October 2. The prospectus forecasts that operating profits will rise from £89.5m last year to at least £100m this year, before an exceptional £87.8m write-down of hotels and development sites.

Analysts said the valuation was expensive at the upper end of the range, but represented fair value at the lower end.

Fixed charges help Christies advance

By Antony Thornicroft

Christie's before tax at Christie's International, the fine art auction house, rose 67 per cent to £16.9m (£24.8m) in the first six months of this year.

The substantial rise was achieved on a 6 per cent increase in sales to £485m. Revenue improved mainly because of the new commission structure, introduced last autumn, which replaced the old system whereby sell-

ers could negotiate low commissions on expensive items with a fixed scale of charges. It had also concentrated on higher value lots.

The strongest growth area was jewellery, where sales rose 71 per cent to £97m. Contemporary art, American pictures, South East Asian art and wine performed well.

The highest price achieved was the \$10.2m paid in May in New York for van Gogh's painting *Interior d'un restaurant*.

Generale Bank advertisement with logo and financial data table showing net profit and assets.

LONDON FORFAITING COMPANY PLC advertisement with logo and financial data table showing turnover, profit, and earnings.

SGL CARBON AG advertisement for Commercial Paper Programme, listing arrangers and dealers.

PORTMAN BUILDING SOCIETY advertisement for Floating Rate Notes due 1997.

BRADFORD & BINGLEY advertisement for Floating Rate Notes due 1997, including legal notices.

INTERNATIONAL CAPITAL MARKETS

France Télécom makes its debut in dollars

By Peter John and Richard Lapper

A debut dollar offering by France Télécom and the first D-Mark issue by Bankgesellschaft Berlin...

INTERNATIONAL BONDS

Although there were fewer deals than on Tuesday, more than \$9bn of eurobonds were issued, yesterday saw a string of deals in a variety of currencies with interest from institutional investors again a dominant feature.

France Télécom, the French state-owned telecommunications company, raised \$400m to reinforce shorter-term borrowing for the acquisition of a 10 per cent stake in Sprint, the US telecommunications company.

US Treasuries recover on reassuring Beige Book

By Lisa Branstetter in New York and Samer Iskandar in London

European bonds defied a weak US market early in the session and closed higher, ending a day described as technical by most traders. UK gilts, however, underperformed, closing unchanged but with wider yield spreads over other markets.

News that the Federal Reserve does not see definite signs of inflationary pressure in the economy helped US Treasury yields rally from their session lows to hover at nearly unchanged levels in early afternoon trading.

Prices began the session lower, with the benchmark 30-year bond down more than a quarter point to yield 7.14 per cent. But bonds began to recover after the Fed released the Beige Book - a report on the US economy prepared for the Fed's Open Market Committee in advance of policy meetings - which found inflation indicators to be "varied and generally inconclusive".

been waiting for the last couple of months to do the deal. "This was a window of opportunity. We knew the market was hot," said one. Priced to yield 15 basis points over the five-year Treasury, the bonds held their price when they were freed to trade, with investor interest equally divided between the UK and continental Europe.

The DM750m five-year issue for BGB Finance Ireland, the financing arm of Bankgesellschaft Berlin, was priced at 35 basis points over the series 119 Bobl.

J.P. Morgan, joint bookrunner with CS First Boston, said most demand had come from Europe, with some bonds also placed with Asian investors.

Launched at a price yielding 178 basis points over the gilt at the same maturity, the yield spread narrowed when the bonds were freed to trade.

As well as its DML5bn bond for the Tennessee Valley Authority (see adjoining story), which was priced yesterday, Deutsche Morgan

New international bond issues

Table with columns: Issuer, Amount, Coupon, Price, Maturity, Yield, Spread, Book-runner. Lists various international bond issues including France Télécom, BGB Finance Ireland, and others.

Launched at a price yielding 178 basis points over the gilt at the same maturity...

Grandt brought two deals to the market through its own funding vehicles. Deutsche Bank Finance (Carapac) raised a \$350m two-year bond, targeted at retail investors seeking protection from a possible rise in US interest rates.

Deutsche Finance Netherlands issued a 11,000bn zero-

coupon 30-year bond which offers a highly-glevered play on European economic convergence and prospective falls in Italian bond yields.

Yields on Italian government bonds and on Italian eurobonds traded in the secondary market have already fallen this year, in line with the country's improving

inflation outlook and creditworthiness.

Investors will pay an initial price equal to 75 per cent of the face value of the bond.

"There is appetite in the market for zero-coupon, long-dated issues," said a syndicate manager at DMG. "Some people believe in convergence and want to get a big bang for their buck and the bulls waiting for something have jumped aboard fairly emphatically," he added.

Finally, a clutch of medium-sized yen issues were aimed at Japanese retail investors seeking higher yields.

A two-tranche issue by the Kingdom of Denmark raised 10bn, redeemable in New Zealand dollars. It was led by Swiss International and Kokusai Securities.

Abbey National Treasury Services, in the market earlier this week with a lira issue, raised 10bn with a five-year deal through Sanwa International.

Sumitomo Realty raised 10bn with a five-year issue through Daiwa Europe.



TVA and EIB treasurers celebrate back-to-back alliance

TVA, EIB find winning formula

By Richard Lapper, Capital Markets Editor

The back-to-back swap deal priced yesterday for the Tennessee Valley Authority and the European Investment Bank will give both cheaper funding than they could obtain through conventional bond issuance.

TVA, the US government-owned power utility, is issuing a 10-year DML5bn eurobond with a Frankfurt listing, while EIB is raising \$1bn with a 10-year issue in the US market. The issuers will swap the proceeds.

Speaking in London yesterday, the treasurers of both organisations said the arrangement - now relatively unusual in the swaps market - had allowed them to reduce borrowing costs, although they did not specify by what amount.

Two elements of the deal were important in this respect. The EIB has a much stronger comparative advantage over TVA in fund-

ing in dollars than it does in D-Marks. Lehman Brothers, co-bookrunner on both deals, said the EIB priced its 10-year dollar paper at 17 basis points over Treasury, about 6 to 7 points lower than TVA could have done.

In the German market EIB enjoys a smaller advantage; it could raise funds at about 4 basis points less than the 17 points over bonds achieved by TVA.

Second, by swapping the proceeds on a back-to-back basis rather than through counterparties, bid/offer spreads were eliminated and transaction costs reduced.

Resulting savings were pooled, providing benefits for both borrowers.

Both also diversified their funding sources. Lehman said some 66 per cent of the TVA bonds were placed in Europe, 20 per cent in Asia, and 14 per cent in the US.

About half the EIB issue was placed in the US, 35 per cent in Europe, and 15 per cent in Asia.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Table with columns: Country, Coupon, Red, Price, Day's change, Yield, Month ago, Year ago. Lists benchmark government bonds for Australia, Austria, Belgium, Canada, Denmark, France, Germany, Ireland, Italy, Japan, Netherlands, Portugal, Spain, UK, and US Treasury.

US INTEREST RATES

Table with columns: Rate, One month, Two month, Three month, Six month, One year, Two year, Three year, Five year, Ten year, Thirty year. Lists US interest rates for various terms.

BOND FUTURES AND OPTIONS

Table with columns: France, Notional, Open, Settle, Price, Change, High, Low, Est. vol. Open int. Lists bond futures and options for France.

UK GILTS PRICES

Table with columns: Maturity, Bid, Offer, Price, Change, High, Low, Est. vol. Open int. Lists UK gilt prices for various maturities.

BOND FUTURES OPTIONS (LIFE) DM250,000 points of 100%

Table with columns: Strike, Price, Call, Put, Change, High, Low, Est. vol. Open int. Lists bond futures options for Germany.

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES

Table with columns: Open, Settle, Price, Change, High, Low, Est. vol. Open int. Lists notional Italian government bond futures.

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS

Table with columns: Strike, Price, Call, Put, Change, High, Low, Est. vol. Open int. Lists notional Italian government bond futures options.

NOTIONAL SPANISH BOND FUTURES (BEPF)

Table with columns: Open, Settle, Price, Change, High, Low, Est. vol. Open int. Lists notional Spanish bond futures.

NOTIONAL UK GILT FUTURES (GIF) £20,000 points of 100%

Table with columns: Open, Settle, Price, Change, High, Low, Est. vol. Open int. Lists notional UK gilt futures.

LONG GILT FUTURES OPTIONS (LIFE) £20,000 points of 100%

Table with columns: Strike, Price, Call, Put, Change, High, Low, Est. vol. Open int. Lists long gilt futures options.

EURO BOND FUTURES (MATIF) EUR100,000

Table with columns: Open, Settle, Price, Change, High, Low, Est. vol. Open int. Lists Euro bond futures.

US TREASURY BOND FUTURES (CBT) \$100,000 points of 100%

Table with columns: Open, Settle, Price, Change, High, Low, Est. vol. Open int. Lists US treasury bond futures.

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES

Table with columns: Open, Settle, Price, Change, High, Low, Est. vol. Open int. Lists notional long term Japanese government bond futures.

Other Fixed Interest

Table with columns: Issuer, Maturity, Bid, Offer, Price, Change, High, Low, Est. vol. Open int. Lists other fixed interest instruments.

FT-ACTUARIES FIXED INTEREST INDICES

Table with columns: Index, Price Index, Yield, Change, High, Low, Est. vol. Open int. Lists FT-Actuaries Fixed Interest Indices.

FT-FIXED INTEREST INDICES

Table with columns: Index, Price Index, Yield, Change, High, Low, Est. vol. Open int. Lists FT-Fixed Interest Indices.

GILT EDGED ACTIVITY INDICES

Table with columns: Index, Price Index, Yield, Change, High, Low, Est. vol. Open int. Lists Gilt Edged Activity Indices.

FT/ISMA INTERNATIONAL BOND SERVICE

Table with columns: Issued, Bid, Offer, Price, Change, High, Low, Est. vol. Open int. Lists FT/ISMA International Bond Service.

FLUATING RATE NOTES

Table with columns: Issued, Bid, Offer, Price, Change, High, Low, Est. vol. Open int. Lists floating rate notes.

CONVERTIBLE BONDS

Table with columns: Issued, Bid, Offer, Price, Change, High, Low, Est. vol. Open int. Lists convertible bonds.

MEMBERSHIP MARK STRATEGIES

Table with columns: Issued, Bid, Offer, Price, Change, High, Low, Est. vol. Open int. Lists membership mark strategies.

Other Fixed Interest

Table with columns: Issued, Bid, Offer, Price, Change, High, Low, Est. vol. Open int. Lists other fixed interest instruments.

Other Fixed Interest

Table with columns: Issued, Bid, Offer, Price, Change, High, Low, Est. vol. Open int. Lists other fixed interest instruments.

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Other Fixed Interest

Table with columns: Issued, Bid, Offer, Price, Change, High, Low, Est. vol. Open int. Lists other fixed interest instruments.

Prospective yield redemption rates are calculated by HSBC Global Bond Services on the basis of the most recent market data available. All other rates are subject to change without notice.

Handwritten text in Arabic script: "مركز المصالح"

CURRENCIES AND MONEY

MARKETS REPORT

Profit-taking puts brake on dollar's rise

By Richard Adams

The US dollar crept up against the D-Mark and the Japanese yen on the London exchange markets in London yesterday, but its rise was dampened by traders taking profits after Tuesday's big jump.

Much of the market's attention was on the release of the US Federal Reserve's Beige Book, an anecdotal description of business and economic conditions in the US, and on possible clues regarding the Fed's next interest rate move.

In London the dollar closed against the D-Mark at DM1.5098, after trading within very tight ranges between DM1.5098 and DM1.5100. The dollar had closed at DM1.5080 the previous day.

Against the yen the dollar made a healthier move upwards, closing at ¥10.250 from ¥10.085.

Early reaction to the release of the Beige Book data, which was published after the close of trading in London, was mixed. In early trading there was a burst of support for the dollar against the D-Mark at DM1.5060, as profit-taking, rather than the economic data, continued to move the market.

In London, sterling had slipped back against the dollar to finish at \$1.5547 from \$1.5567. Against the D-Mark the pound was almost immobile, losing one tick from the previous day to end at DM2.3474.

The major European cross-currency rates moved little during the day, with most of the day's action being seen in the yen market.

In London the dollar stumbled in trading during the afternoon. This came after Tuesday's extended rally on technical trading against the D-Mark and the yen saw it gain two pence and a yen in value, compared with the start of the week.

But during the day it broke through the important ¥110 level for the first time since July and overcame a strong resistance level at DM1.5120. By late afternoon it had returned below DM1.51 and was off highs against the yen.

Against the yen, the London-based economic forecasting group, said that technical studies suggested the dollar-yen rally was slowing down, with perhaps one



more attempt likely at breaking resistance at ¥110.50. Other analysts agreed there was little reason to expect a sustained dollar rally against the yen.

Analysts in New York said the market paid attention to the Fed's view of US employment, after recent remarks by Fed officials.

The uptick in the US economy could lead to falls in unemployment and increasing pressure on wages. Some analysts fear this could mean the Fed will decide to raise interest rates at its next Federal open market committee (FOMC) meeting on September 24.

The survey characterised business activity as good, and said it was expanding moderately. In contrast to its previous descriptions of regional employment tightness as "scattered," the Fed

said there were pockets of rising employment demand in many districts, and said it was broad-based in a few.

The Fed said none of its regional offices saw inflation pressure abating.

The market's next focus before the FOMC meeting will be on the release of the core consumer price index tomorrow, which excludes food and energy prices, for any further signs of inflation. Earlier this week a "source" claimed that core CPI was a key indicator in the Fed's view.

But Mr Robin Aspinall, chief economist at the National Australia Bank in London, said the core CPI figure is usually very stable. "It would take a rise of more than 0.5 per cent for alarm bells to ring," he said.

OTHER CURRENCIES

Table listing exchange rates for various currencies including the Swiss franc, Australian dollar, and New Zealand dollar.

For the latest market updates, ring FT Cityline on +44 990 209090. To subscribe, call +44 171 873 4378

POUND SPOT FORWARD AGAINST THE POUND

Table showing forward rates for the pound against various currencies, including the US dollar, D-Mark, and yen.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table showing forward rates for the dollar against various currencies, including the D-Mark, yen, and other international currencies.

WORLD INTEREST RATES

Table of money rates for various countries, including the UK, France, Germany, Italy, and Japan.

Table of LIBOR FT London interbank rates for various currencies.

Table of Euro currency interest rates for various European countries.

CROSS RATES AND DERIVATIVES

Table of exchange rates for various currencies, including the D-Mark, yen, and other international currencies.

JAPANESE YEN FUTURES (¥100,000 per ¥)

Table of Japanese yen futures contracts, showing open, high, low, and close prices.

STERLING YEN FUTURES (¥100,000 per ¥)

Table of sterling yen futures contracts, showing open, high, low, and close prices.

UK INTEREST RATES

Table of London money rates for various currencies, including the D-Mark, yen, and other international currencies.

EMS EUROPEAN CURRENCY UNIT RATES

Table of EMS European currency unit rates for various countries.

BASE LENDING RATES

Table of base lending rates for various banks and currencies.

UK TREASURY BILL FUTURES (€100,000 per €)

Table of UK treasury bill futures contracts, showing open, high, low, and close prices.

THREE MONTH EURO CURRENCY FUTURES (€100,000 per €)

Table of three-month Euro currency futures contracts for various currencies.

THREE MONTH EURO CURRENCY FUTURES (€100,000 per €)

Table of three-month Euro currency futures contracts for various currencies.

THREE MONTH EURO CURRENCY FUTURES (€100,000 per €)

Table of three-month Euro currency futures contracts for various currencies.

THE BATAVIA FUND LIMITED (the "Company")

Notice to holders of warrants and options, detailing the company's financial performance and the status of its warrants.

CREDIOP OVERSEAS BANK LIMITED

Advertisement for Crediop Overseas Bank Limited, highlighting its 2.50 per cent guaranteed notes due in 1997.

Fast Bills. Low Rates.

Advertisement for fast bills and low rates, offering competitive financial products.

GREY BETTING ON OVER SEIGHT MARKETS

Advertisement for Grey Betting, offering services for over-the-counter markets.

THE FT GUIDE TO WORLD CURRENCIES

Advertisement for the FT Guide to World Currencies, published in Money magazine.

Union Limited advertisement, featuring a logo and contact information.

Berkeley Futures Limited advertisement, offering futures and options trading services.

Market Eye advertisement, providing market analysis and news.

REUTERS 1000 advertisement, offering financial news and data services.

Low Cost 24 Hour Financial Information advertisement, providing real-time market data.

Maintained FOREX advertisement, offering foreign exchange trading services.

KNIGHT-RIDDER'S FUTURES MARKET DATABANK advertisement, providing comprehensive futures market data.

WANT TO KNOW A SECRET? advertisement, offering a unique trading strategy.

FUTURES - TAX FREE advertisement, highlighting tax advantages for futures trading.

OFFSHORE COMPANIES advertisement, offering services for offshore business structures.

Signal advertisement, providing real-time market news and analysis.

Petroleum Argus Oil Market Guides advertisement, offering comprehensive oil market data.

COMMODITIES AND AGRICULTURE

US cotton futures jump as farm agency cuts crop estimate

By Laurie Morse in Chicago

Cotton prices surged in New York yesterday after the US Department of Agriculture issued an unexpectedly bullish crop estimate for the current season.

The government's report, based on crop conditions September 1, estimated that US cotton production this year would be 17.9m 480-pound bales, down 4 per cent from August 1 estimates and nearly unchanged from last year's harvest.

Crop prospects in California deteriorated last month as high temperatures caused cotton plants to drop bolls, the agency said, and earlier season dryness, combined with insect damage and boll rot, reduced yields in Louisiana and Arkansas.

At the same time, however, the USDA lowered its estimate of US cotton exports, as traders had expected.

Foreign sales have already begun to lag, and USDA now says exports will be 6.2m bales, down from its estimate of 6.6m last month, and well below last year's actual foreign sales of 7.7m bales, it said.

said some of the export sales losses would be made up by a slight increase in domestic cotton use.

Carryover cotton stocks for the 1996-97 marketing year are now estimated at 3.6m bales, up sharply from last season's 2.6m, but down from the USDA's August estimate of 4m.

The agriculture department also revised its production and ending stocks projections for the major US grains and oilseeds, issuing a generally more optimistic view of the current year.

In late trading the December delivery wheat price at the CBOT was down by 12 cents at \$4.40 1/4 a bushel. The

December maize price was down 7 1/2 cents at \$3.27 a bushel and the November soybean contract was down 3 1/2 cents at \$0.076 a bushel.

The US spring wheat harvest, which is about to commence, is projected to be the second largest on record, boosting the overall US wheat production estimate by 2 per cent from last month, to 2.3bn bushels. The US is expected to have 506m bushels remaining in farm-ers' bins at the end of the marketing year, 100m more than the USDA's August forecast.

Sugar policy costs come under attack

By Allison Maitland

Protectionist sugar policies create staggering costs for consumers and distortions in world trade, according to a report published yesterday.

The report, by the Washington-based International Policy Council on Agriculture, Food and Trade, urges trade ministers to embark on reform of sugar policies at their first World Trade Organisation meeting in December.

It was launched in Geneva with a report calling for liberalisation of the dairy sector, which along with sugar is one of the main agricultural sectors left largely untouched by the Uruguay Round trade agreement.

"We feel these are two major world commodities which have been largely neglected by the international trading partners," said Sir Michael Franklin of the IPC, an independent group of experts which advocates an open and efficient world food and agriculture system.

a few years anyway, looked seriously at how we can remove these major distortions."

Sugar consumers are forced to pay artificially high prices in Japan, the US and Europe, says the paper. In the US, subsidies are estimated to cost the consumer \$2bn a year.

EFFECTIVE SUBSIDIES FOR REFINED SUGAR

Table with columns for Country, % and values for various countries like Switzerland, Japan, EU, US, Hungary, Turkey, Canada, Australia, Poland, Czech Republic, and Sweden.

The European soft drinks industry maintains that European Union consumers pay \$8m a year more than they would in a free market. While EU cereal prices have fallen almost 80 per cent in the past 15 years, sugar prices have risen 11 per cent.

Globally, sugar is one of the more highly protected products. But the cost of support regimes, which fall on the consumer rather than the taxpayer, is largely unseen because of the small proportion of retail food costs spent on sugar.

"This does not mean the problem should be allowed to continue," insisted Sir Michael. "It's a real economic cost. Without this distortion, consumers would have more money to spend on other things."

Sugar subsidies also damage efficient producers elsewhere in the world who export to the world market, says the report. About 17 per cent of world sugar production enters international trade - a higher proportion than for cereals or meat.

"It has been estimated that the losses incurred by developing countries due to the policies of the EU, the US and Japan amount to over \$2bn a year, or approximately one-third of their entire export earnings from sugar."

world raw sugar prices could have been 56 per cent higher over the past 12 years in the absence of US policies in the sector.

The report calls for reform of the sector, notably in the EU, Canada and Japan, where support continues. It advocates lower tariffs on dairy products, higher minimum access levels, and the elimination of export and production subsidies.

The report says only 6 per cent of global milk production is traded on world markets. But 47 per cent of whole milk powder, 26 per cent of skimmed milk powder, 11 per cent of butter and 7 per cent of cheese enters world trade.

Another estimate is that the losses incurred by developing countries due to the policies of the EU, the US and Japan amount to over \$2bn a year, or approximately one-third of their entire export earnings from sugar."

Surge in Indian oil demand predicted

By Mark Nicholson in New Delhi

India's demand for hydrocarbon fuels rose by a record 10.5 per cent last year and is set for sustained annual growth of 7 to 8 per cent for the next several years, Mr T.R. Baalu, the country's petroleum and natural gas minister said yesterday.

Mr Baalu told a state-backed conference on foreign direct investment that the country would require up to \$150bn in investment in oil and gas exploration, refining, storage and distribution to meet estimated demand.

year, was likely to rise to 113m tonnes by 2001-2 and to reach 155m tonnes by 2006-7. India's refinery capacity would have accordingly risen to 130m tonnes by 2001-2 and 170m tonnes by 2006-7. India's present annual refining capacity of 60m tonnes meets just 70 per cent of current needs.

Domestic production also satisfies only 50 per cent of the country's annual oil and gas demand, a proportion expected to drop to 30 per cent early next century in the absence of substantial new finds.

of its heavily regulated and state-dominated oil and gas sector and fiscal incentives to private investors. "The government's policy is still overwhelmingly dominated by big state-run oil and gas corporations, has been partly opened to private sector participation during the past five years' economic reforms. However, foreign and private interest in the sector, both up and downstream, has been discouraged by the government's adherence to an 'admission by invitation' policy, but which fixes almost all fuel prices, subsidising prices to protect the poor. The lubricants market alone has been fully liberalised in India. Mr Baalu said that the

government accepted that it should move away from the currently administered pricing of almost all fuel products, saying it is now time that a market price should be adopted."

The minister said that the government was also considering reforms to its present exploration licensing policy with a view to attracting further foreign investment, but gave no details. He also said that the government was "keen to attract" private and foreign investment in the production, transportation and distribution of natural gas.

Platinum mine project delayed

By Nikki Teit in Sydney

Delta Gold, the junior partner in the US\$664m Hartley Platinum mine development in Zimbabwe, revealed yesterday that a delay had occurred in commissioning facilities at the processing plant.

The Australian gold miner, which earlier this year indicated that the mine development was ahead of schedule, said that the concentrate thickeners had developed leaks and that the milling, concentrating and smelting facilities could not come on stream until these had been repaired.

to protect the interests of preferential sugar suppliers, such as ACP countries. If necessary, this should be provided for as a special case in WTO subsidy rules.

The report calls for reform of the sector, notably in the EU, Canada and Japan, where support continues. It advocates lower tariffs on dairy products, higher minimum access levels, and the elimination of export and production subsidies.

Another estimate is that the losses incurred by developing countries due to the policies of the EU, the US and Japan amount to over \$2bn a year, or approximately one-third of their entire export earnings from sugar."

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

Table of metal prices including Aluminum, Copper, Lead, Nickel, Zinc, Tin, and Silver.

Precious Metals continued

GOLD COMEX (100 Troy oz.)

Table of precious metal prices including Gold, Silver, and Platinum.

GRAINS AND OIL SEEDS

WHEAT LCE (\$ per tonne)

Table of grain prices including Wheat, Corn, Soybeans, and Barley.

SOFTS

COFFEE LCE (\$/tonne)

Table of soft commodity prices including Coffee, Cocoa, and Rubber.

MEAT AND LIVESTOCK

LIVE CATTLE CME (40,000 lbs. carcass)

Table of meat and livestock prices including Cattle, Hogs, and Pigs.

LONDON TRADED OPTIONS

ALUMINIUM

Table of London traded options prices for Aluminum, Copper, and Silver.

JOTTER PAD

A grid for a crossword puzzle.

CROSSWORD

No.9.171 Set by ADAMANT

Strike price 5 tons - Calls - Puts -

- 1 Part of the bloomer was the cheeky talk about its return (6)
2 Iron steak of the tiger, for example (5)
3 More open to one with the stamp of authority? (7)
4 It's unfortunately ever so upper class to take drugs to escape (7)
5 Condonances for putting timeless obstacles in the path? On the contrary! (10)
6 Where your opponents are at home (4)
7 Work on movement of the eyes (5)
8 The day I cast off under orders (8)
9 Towers over Peel's set (8)
10 Spectators at First Division kept in (5)
11 Choice, slight of sharp edge to child's plaything (8)
12 A second type of class (5)
13 Do have fun... (5)
14 ...and quietly sit around the children's area (7)
15 Having had I can't reproduce it the same (5)

LONDON SPOT MARKETS

CRUDE OIL FOB (per barrel)

Table of London spot market prices for Crude Oil, Brent, and WTI.

PRECIOUS METALS

LONDON BULLION MARKET

Table of London bullion market prices for Gold, Silver, and Platinum.

FUTURES DATA

All futures data supplied by CME.

Table of futures data for various commodities.

VOLUME DATA

Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CFTC, NYCE, ICE, and IFE.

Table of volume data for various futures contracts.

INDICES

NYSE (Dow Jones Industrial Average)

Table of market indices including NYSE, S&P 500, and Nikkei.

Solution 9.170

A grid for the crossword puzzle solution.

Offshore Funds and Insurances

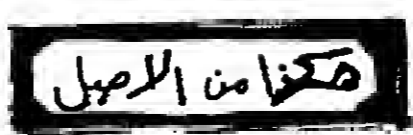
FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (44 171) 673 4378 for more details.

Main table containing fund names (e.g., TSB Fund Managers, LUXEMBOURG (REGULATED)), performance data (Price, % change), and company details.

OFFSHORE INSURANCES

Table listing offshore insurance companies and their details, including names like AXA and insurance types.



FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (444 771) 673 4878 for more details.

Main table containing financial data for various managed funds, including columns for fund names, prices, and performance metrics.

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OTHER OFFSHORE FUNDS
A2IP Management Ltd
A2IP Investment Ltd
A2IP Growth Ltd
A2IP Income Ltd
A2IP Bond Ltd
A2IP Equity Ltd
A2IP Multi-Asset Ltd
A2IP Global Ltd
A2IP International Ltd
A2IP Emerging Markets Ltd
A2IP Real Estate Ltd
A2IP Infrastructure Ltd
A2IP Commodities Ltd
A2IP Alternative Investments Ltd
A2IP Private Equity Ltd
A2IP Hedge Funds Ltd
A2IP Structured Products Ltd
A2IP Derivatives Ltd
A2IP Risk Management Ltd
A2IP Insurance Ltd
A2IP Pensions Ltd
A2IP Trusts Ltd
A2IP Other Offshore Funds Ltd

MANAGED FUNDS NOTES
This section provides detailed information regarding the management, fees, and risks associated with the funds listed in the table.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Table listing companies in the Alcoholic Beverages sector with columns for company name, price, and change.

BANKS, MERCHANT

Table listing companies in the Banks, Merchant sector.

BANKS, RETAIL

Table listing companies in the Banks, Retail sector.

Table listing companies in the Breweries, Pubs & Rest sector.

BREWERIES, PUBS & REST

Table listing companies in the Building & Construction sector.

BUILDING & CONSTRUCTION

Table listing companies in the Building Mats & Merchants sector.

BUILDING MATS & MERCHANTS

Table listing companies in the Chemicals sector.

CHEMICALS

CHEMICALS - Cont.

Table listing companies in the Chemicals sector (continued).

DISTRIBUTORS

Table listing companies in the Distributors sector.

DIVERSIFIED INDUSTRIALS

Table listing companies in the Diversified Industrials sector.

ELECTRICITY

Table listing companies in the Electricity sector.

ELECTRONIC & ELECTRICAL EQPT

Table listing companies in the Electronic & Electrical Equipment sector.

ELECTRONIC & ELECTRICAL EQPT - Cont.

Table listing companies in the Electronic & Electrical Equipment sector (continued).

ENGINEERING

Table listing companies in the Engineering sector.

ENGINEERING, VEHICLES

Table listing companies in the Engineering, Vehicles sector.

EXTRACTIVE INDUSTRIES

Table listing companies in the Extractive Industries sector.

ENGINEERING - Cont.

Table listing companies in the Engineering sector (continued).

FOOD PRODUCERS - Cont.

Table listing companies in the Food Producers sector (continued).

ENGINEERING, VEHICLES

Table listing companies in the Engineering, Vehicles sector.

EXTRACTIVE INDUSTRIES

Table listing companies in the Extractive Industries sector.

EXTRACTIVE INDUSTRIES - Cont.

Table listing companies in the Extractive Industries sector (continued).

FOOD PRODUCERS

Table listing companies in the Food Producers sector.

FOOD PRODUCERS - Cont.

Table listing companies in the Food Producers sector (continued).

GAS DISTRIBUTION

Table listing companies in the Gas Distribution sector.

HEALTH CARE

Table listing companies in the Health Care sector.

HOUSEHOLD GOODS

Table listing companies in the Household Goods sector.

HOUSEHOLD GOODS

Table listing companies in the Household Goods sector.

HOUSEHOLD GOODS - Cont.

Table listing companies in the Household Goods sector (continued).

INSURANCE

Table listing companies in the Insurance sector.

INVESTMENT TRUSTS

Table listing companies in the Investment Trusts sector.

INVESTMENT TRUSTS

Table listing companies in the Investment Trusts sector.

INV TRUSTS SPLIT CAPITAL

Table listing companies in the Investment Trusts Split Capital sector.

INV TRUSTS SPLIT CAPITAL

Table listing companies in the Investment Trusts Split Capital sector.

INV TRUSTS SPLIT CAPITAL

Table listing companies in the Investment Trusts Split Capital sector.

INVESTMENT TRUSTS - Cont.

Table listing companies in the Investment Trusts sector (continued).

INV TRUSTS SPLIT CAPITAL

Table listing companies in the Investment Trusts Split Capital sector.

INV TRUSTS SPLIT CAPITAL

Table listing companies in the Investment Trusts Split Capital sector.

INV TRUSTS SPLIT CAPITAL

Table listing companies in the Investment Trusts Split Capital sector.

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Table listing companies in the Investment Trusts Split Capital sector.

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Table listing companies in the Investment Trusts Split Capital sector.

INV TRUSTS SPLIT CAPITAL

Table listing companies in the Investment Trusts Split Capital sector.

Advertisement for TREACLE by ACL, featuring an image of a jar and text: 'In a word, TREACLE. For effective solutions to company car funding and management, the proof of the pudding is in the eating. 0800 269895. For contract hire and vehicle management. ACL. A National Car Rental Group company. HEAD OFFICE: 24-26 Newport Road, Cardiff CF1 1RH. Fax: 01222 458729.'

مكتبة الاصل

INV TRUSTS SPLIT CAPITAL - Cont.	LEISURE & HOTELS - Cont.
[Table of share prices for investment trusts in split capital categories, including columns for company names, current prices, and changes.]	[Table of share prices for leisure and hotels companies, including columns for company names, current prices, and changes.]
OTHER INVESTMENT TRUSTS	LIFE ASSURANCE
[Table of share prices for other investment trusts, including columns for company names, current prices, and changes.]	[Table of share prices for life assurance companies, including columns for company names, current prices, and changes.]
INVESTMENT COMPANIES	MEDIA
[Table of share prices for investment companies, including columns for company names, current prices, and changes.]	[Table of share prices for media companies, including columns for company names, current prices, and changes.]
PROPERTY - Cont.	OIL EXPLORATION & PRODUCTION
[Table of share prices for property companies, including columns for company names, current prices, and changes.]	[Table of share prices for oil exploration and production companies, including columns for company names, current prices, and changes.]
PROPERTY - Cont.	OIL, INTEGRATED
[Table of share prices for property companies, including columns for company names, current prices, and changes.]	[Table of share prices for integrated oil companies, including columns for company names, current prices, and changes.]
PROPERTY - Cont.	OTHER FINANCIAL
[Table of share prices for property companies, including columns for company names, current prices, and changes.]	[Table of share prices for other financial companies, including columns for company names, current prices, and changes.]
PROPERTY - Cont.	LEISURE & HOTELS
[Table of share prices for property companies, including columns for company names, current prices, and changes.]	[Table of share prices for leisure and hotels companies, including columns for company names, current prices, and changes.]

PAPER, PACKAGING & PRINTING	PROPERTY - Cont.	RETAILERS, FOOD	TELECOMMUNICATIONS
[Table of share prices for paper, packaging & printing companies, including columns for company names, current prices, and changes.]	[Table of share prices for property companies, including columns for company names, current prices, and changes.]	[Table of share prices for food retailers, including columns for company names, current prices, and changes.]	[Table of share prices for telecommunications companies, including columns for company names, current prices, and changes.]
PHARMACEUTICALS	RETAILERS, GENERAL	TEXTILES & APPAREL	TOBACCO
[Table of share prices for pharmaceutical companies, including columns for company names, current prices, and changes.]	[Table of share prices for general retailers, including columns for company names, current prices, and changes.]	[Table of share prices for textiles and apparel companies, including columns for company names, current prices, and changes.]	[Table of share prices for tobacco companies, including columns for company names, current prices, and changes.]
PROPERTY	TRANSPORT	TRANSPORT	TRANSPORT
[Table of share prices for property companies, including columns for company names, current prices, and changes.]	[Table of share prices for transport companies, including columns for company names, current prices, and changes.]	[Table of share prices for transport companies, including columns for company names, current prices, and changes.]	[Table of share prices for transport companies, including columns for company names, current prices, and changes.]
PROPERTY - Cont.	WATER	WATER	WATER
[Table of share prices for property companies, including columns for company names, current prices, and changes.]	[Table of share prices for water companies, including columns for company names, current prices, and changes.]	[Table of share prices for water companies, including columns for company names, current prices, and changes.]	[Table of share prices for water companies, including columns for company names, current prices, and changes.]
PROPERTY - Cont.	SUPPORT SERVICES	SUPPORT SERVICES	SUPPORT SERVICES
[Table of share prices for property companies, including columns for company names, current prices, and changes.]	[Table of share prices for support services companies, including columns for company names, current prices, and changes.]	[Table of share prices for support services companies, including columns for company names, current prices, and changes.]	[Table of share prices for support services companies, including columns for company names, current prices, and changes.]
PROPERTY - Cont.	SUPPORT SERVICES	SUPPORT SERVICES	SUPPORT SERVICES
[Table of share prices for property companies, including columns for company names, current prices, and changes.]	[Table of share prices for support services companies, including columns for company names, current prices, and changes.]	[Table of share prices for support services companies, including columns for company names, current prices, and changes.]	[Table of share prices for support services companies, including columns for company names, current prices, and changes.]
PROPERTY - Cont.	SUPPORT SERVICES	SUPPORT SERVICES	SUPPORT SERVICES
[Table of share prices for property companies, including columns for company names, current prices, and changes.]	[Table of share prices for support services companies, including columns for company names, current prices, and changes.]	[Table of share prices for support services companies, including columns for company names, current prices, and changes.]	[Table of share prices for support services companies, including columns for company names, current prices, and changes.]

AM - Cont.	AMERICANS
[Table of share prices for American companies, including columns for company names, current prices, and changes.]	[Table of share prices for American companies, including columns for company names, current prices, and changes.]
AMERICANS	CANADIANS
[Table of share prices for American companies, including columns for company names, current prices, and changes.]	[Table of share prices for Canadian companies, including columns for company names, current prices, and changes.]
CANADIANS	SOUTH AFRICANS
[Table of share prices for Canadian companies, including columns for company names, current prices, and changes.]	[Table of share prices for South African companies, including columns for company names, current prices, and changes.]
SOUTH AFRICANS	GUIDE TO LONDON SHARE SERVICE
[Table of share prices for South African companies, including columns for company names, current prices, and changes.]	[Section containing a guide to the London Share Service, including information on data sources, reporting conventions, and contact details.]
GUIDE TO LONDON SHARE SERVICE	FT Free Annual Reports Service
[Table of share prices for South African companies, including columns for company names, current prices, and changes.]	[Section advertising the FT Free Annual Reports Service, detailing how to access company reports.]

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THE LABORATORY**

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For readers phoning from outside UK, please dial +44 in place of the first 0.
The share prices printed on these pages are also available on the internet at <http://www.ft.com>.

LONDON STOCK EXCHANGE

MARKET REPORT

Equities take a breather after five-day surge

By Steve Thompson, UK Stock Market Editor

A batch of mildly unsettling economic news, the return of US interest rate jitters and increasing uneasiness over some important data due today from both sides of the Atlantic brought an end to five straight gains in London's equity market.

leaders. The Mid 250 lost 20.1 to 4,415.8. The market's mind was far better, however, with the Small Cap Index managing a 3.3 gain to 2,177.8.

London began the session on a midday burst of good news which ignited the company's shares and instantly put three points on a then lagging Footsie.

UK economic news yesterday, including a slightly bigger than expected decline in unemployment, and higher than forecast unit wage costs, caused momentary unease in gilts and equities.

would further reduce the chances of a return of Iraqi oil to world crude oil markets. This would trigger increased tightness in oil markets and therefore put upward pressure on prices.

Equity shares traded



Table with columns for FT-SE 100, FT-SE Mid 250, FT-SE All-Share, and various indices with their respective values and changes.

Payout boost to Reuters

By Peter John, Joel Kibezzo and Lisa Wood

One of the London market's most talked-about stories finally came to fruition yesterday as Reuters Holdings announced a return of cash to shareholders.

ment - effectively a 12.5p special dividend for three years, plus a tax credit for gross funds such as charities and pension funds, was an anticlimax.

buy" to "hold" said: "The strategy applied in recent times has been focused on recovering profits and we now need to see how the company develops to sustain premium medium term earnings growth."

It believes AB Ports to be a "high quality company with high margins and strong cash generation."

the separate parts of Hanson ahead of October's demerger. Hanson shares hardened 1 1/2 to 156p.

FUTURES AND OPTIONS

Table showing FT-SE 100 INDEX FUTURES and OPTIONS with columns for Open, Best Price, Change, High, Low, and other metrics.

LONDON RECENT ISSUES: EQUITIES

Table listing recent equity issues with columns for Issue, Amt, Mkt, Price, and other details.

FT GOLD MINES INDEX

Table showing FT Gold Mines Index with columns for Day's Change, 52 Week High, and other data.

FT-SE Actuarial Share Indices

Table showing FT-SE Actuarial Share Indices with columns for Day's Change, 52 Week High, and other data.

Hourly movements

Table showing hourly movements for FT-SE 100, FT-SE Mid 250, and FT-SE All-Share.

FT-SE Actuarial 360 Industry baskets

Table showing FT-SE Actuarial 360 Industry baskets with columns for Basket Name, Open, and Change.

Trading Volume

Table showing trading volume for major stocks with columns for Stock Name, Volume, and Change.

FINANCIAL TIMES EQUITY INDICES

Table showing Financial Times Equity Indices with columns for Index Name, Day's Change, 52 Week High, and other data.

London market data

Table showing London market data including Shares and falls, 52 Week Highs and Lows, and FT-SE All-Share.

TURNING EXPERIENCE INTO RESULTS IN CORPORATE FINANCE

Advertisement for HSBC Samuel Montagu featuring a grid of corporate finance services for various companies like Ascot Holdings, Ashanti Goldfields, and Court Cavendish.

Advertisement for HSBC Samuel Montagu, Member HSBC Group, providing contact information and a brief description of their corporate finance services.

Additional information on the FT-SE Actuarial Share Indices is published in Saturday issues. The FT-SE Actuarial Share Indices are calculated by FTSE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

Austria (Sep 11 / %)			
Bluebird	11.15	10.80	+0.35
CEC	11.15	10.80	+0.35
Contra	11.15	10.80	+0.35
... (many more)			

Belgium/Luxembourg (Sep 11 / %)			
ABN-Amro	11.15	10.80	+0.35
... (many more)			

Denmark (Sep 11 / %)			
Carlsberg	11.15	10.80	+0.35
... (many more)			

Germany (Sep 11 / %)			
Adidas	11.15	10.80	+0.35
... (many more)			

France (Sep 11 / %)			
Alcatel	11.15	10.80	+0.35
... (many more)			

Finland (Sep 11 / %)			
... (many more)			

Greece (Sep 11 / %)			
... (many more)			

Ireland (Sep 11 / %)			
... (many more)			

Italy (Sep 11 / %)			
... (many more)			

Netherlands (Sep 11 / %)			
... (many more)			

Portugal (Sep 11 / %)			
... (many more)			


Spain (Sep 11 / %)			
... (many more)			

Sweden (Sep 11 / %)			
... (many more)			

Switzerland (Sep 11 / %)			
... (many more)			

Turkey (Sep 11 / %)			
... (many more)			

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ASIA

Hong Kong (Sep 11 / %)			
... (many more)			

Indonesia (Sep 11 / %)			
... (many more)			

Japan (Sep 11 / %)			
... (many more)			

Korea (Sep 11 / %)			
... (many more)			

Malaysia (Sep 11 / %)			
... (many more)			

New Zealand (Sep 11 / %)			
... (many more)			

Singapore (Sep 11 / %)			
... (many more)			

South Africa (Sep 11 / %)			
... (many more)			

South Korea (Sep 11 / %)			
... (many more)			

Taiwan (Sep 11 / %)			
... (many more)			

Thailand (Sep 11 / %)			
... (many more)			

AMERICA

USA (Sep 11 / %)			
... (many more)			

Canada (Sep 11 / %)			
... (many more)			

Mexico (Sep 11 / %)			
... (many more)			

AFRICA

Africa (Sep 11 / %)			
... (many more)			

INDICES

Index	Sep 11	Sep 8	High	Low	1996
Argentina	16680.73	16590.54	18861.89	2065.25	226
Australia	2965.10	2955.10	3226.00	284.00	177
... (many more)					

US INDICES

Index	Sep 11	Sep 8	High	Low	1996
Dow Jones	5727.18	5733.84	5938.38	5529.24	4122
S&P 500	101.38	101.41	101.38	100.88	87.02
... (many more)					

COMMODITIES

Commodity	Sep 11	Sep 8	High	Low	1996
Oil	14.92	14.85	15.25	14.70	13.50
Gold	385.00	385.00	390.00	380.00	370.00
... (many more)					

CRYPTOCURRENCY

Currency	Sep 11	Sep 8	High	Low	1996
Bitcoin	0.0001	0.0001	0.0001	0.0001	0.0001

INDEX FUTURES

Index	Open	Settle	Change	High	Low	Est. Vol.
S&P 500	101.40	101.40	+0.02	101.45	101.35	87,223
... (many more)						

NEW YORK ACTIVE STOCKS

Stock	Price	Change
IBM	115.00	+0.25
... (many more)		

TOKYO - MOST ACTIVE STOCKS

Stock	Price	Change
Toyota	113.00	+0.20
... (many more)		

AFRICA

Stock	Price	Change
Anglo	11.00	+0.10
... (many more)		

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4 pm close September 11

NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock symbols, prices, and changes. Includes sub-sections for 'NEW YORK STOCK EXCHANGE PRICES', 'NASDAQ LISTED STOCKS', and 'NASDAQ LISTED STOCKS'.

Advertisement for Hewlett-Packard featuring the slogan 'Vault ahead.' and the text 'If the business decisions are yours, the computer system should be ours.' Includes the HP logo and website URL.

مكتبة الامير

Continued on next page

NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'T', 'U', 'X-Y-Z', and 'T'.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'T', 'U', 'X-Y-Z', and 'T'.

AMEX PRICES

Table of AMEX stock prices including columns for stock name, price, change, and volume.

Advertisement for 'Have your FT hand delivered in Norway' featuring the 'Norway' logo and text about financial services.

Continuation of stock price tables from the NYSE and NASDAQ sections, including various sub-sections.

AMERICA

Beige book findings help US shares rally

Wall Street

News that the Federal Reserve was unlikely to make an aggressive move to slow the economy helped US shares rally in early afternoon trading, writes Lisa Branstetter in New York.

volume was 221m shares.

Technology sector news was mixed as the tech-rich Nasdaq composite added 3.95 at 1,153.38, while the Pacific Stock Exchange technology index rose 0.3 per cent.

Late on Tuesday, the Semiconductor Industry Association said its key measure of demand - the book-to-bill ratio - had risen in August. The effect, however, was dampened early yesterday when Motorola warned that it expected third quarter earnings to be "significantly below" those in the second quarter, due to pricing and demand weakness in the semiconductor area.

Canada

Toronto was ahead at mid-session in what dealers described as active trading. At noon, the TSE composite index was 12.49 higher at 5,159.61.

Banks led the performance charts with the sector up one per cent.

Royal Bank of Canada added 25 cents to C\$36.10 and Toronto-Dominion rose 25 cents to C\$36.25.

SOUTH AFRICA

Gold recovered strongly but the upturn was not enough to stop the overall index from dipping 9.2 to 6,780. Industrials came off 34 to 7,991.9, depressed by downside pressure in equity futures ahead of tomorrow's lead contract expiry.

EUROPE

Foresters weak in Sweden, Finland

The Motorola effect hit STOCKHOLM and HELSINKI early yesterday, when Ericsson and Nokia reacted to the latest positive news from the US cellular telephone and semiconductor sectors. However, this was overtaken by weakness in forestry and mitigated, in Stockholm's case, by strength in banking.

Ericsson Bs and Nokia A bottomed with intraday falls of 3.7 and 4.7 per cent respectively. That eased as Motorola itself recovered in New York, Ericsson closing SKR150 off at SKR150, and Nokia down FM5 at FM188, after FM182 as the Aktörvärlden General index rose 2.6 to 2,042.5.

index fell by 2.65 per cent. In Finland, foresters were 2.1 per cent down as the Hex index closed 30.90 lower at 2,102.17. On the face of it, this sat oddly with yesterday's pulp price rise from \$50 a ton to \$60-630 by UPM-Kymmene.

PARIS was hit by a severe shakeout at Renault but managed to close with little net change, the CAC-40 index losing 4.06 at 2,088.06. Renault was centre stage for most of the day with the car giant's interim results confirming broker suspicions about losses for the whole of this year.

FT-SE Averages Share Indices

Table with columns: Date, Index, Change, % Change, High, Low, Open, Close. Rows for FT-SE 100, FT-SE 250, FT-SE 500, FT-SE 1000, FT-SE 2000, FT-SE 3000, FT-SE 4000, FT-SE 5000, FT-SE 6000, FT-SE 7000, FT-SE 8000, FT-SE 9000, FT-SE 10000.

CGIP's denial that it would make a Cerus bid. Legrand, the electrical retailer, shot ahead by more than 4 per cent, closing FFR34 better at FFR319 after its interim results brought sighs of relief across the market.

MILAN moved lower, in all volume, the Comital index closing off 5.08 at 890.70. Olivetti, which announced heavy losses last week and was suspended from trading for three days, jumped more than 2 per cent to finish at L683.2, up L15.4.

Takeover talk continued, traders pinpointing UAP as a possible target following one big trade in the shares. Its rival insurer, Axa, denied that it was a predator but UAP still closed FFR3.90 higher at FFR103.50.

closed mixed, the Dax index setting just 0.07 lower at an this indicated 2,568.70.

Turnover was flat at DM8.8bn. Hoechst, up 70 pct at DM53.60, continued to acknowledge what a higher dollar could do for export margins. Among the losers, Deutsche Bank reflected continued embarrasement over the MGAM growth trusts debacle, falling 52 pct to DM17.13.

ZURICH's banks were weak, CS Holding losing SFR2.50 at SFR121.50, UBS bearers SFR6 to SFR222.75. The SMI index, meanwhile, fell 15.3 to 3,978.

MADRID emphasised the packing order in oil companies, Repsol rising Ptas60 to Ptas1,160 after stalling on petrol price increases early in the week, but Cepes falling another Ptas5 to Ptas3,820 as the general index eased 0.19 to 361.95.

Mexico flat on rate fears

MEXICO CITY opened slightly weaker after Tuesday's steep fall for leading stocks. Dealers said there were continuing worries about the government's interest rate policy.

The recovery was helped by a better showing in the bond market, and at the outset the blue-chip MerVal index showed a modest improvement.

SANTIAGO was closed yesterday. Along with banks and government offices, the stock market was shut for the anniversary of the 1973 military coup.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Table with columns: Market, No. of Stocks, Dollar terms, Local currency terms, % Change over week on Dec '95, % Change over week on Dec '96. Rows for Latin America, Argentina, Brazil, Chile, Colombia, Mexico, Peru, Venezuela, Asia, China, South Korea, Philippines, Taiwan, China, India, Indonesia, Malaysia, Pakistan, Sri Lanka, Thailand, Euro/Mid East, Czech Rep, Greece, Hungary, Jordan, Poland, Portugal, South Africa, Turkey, Zimbabwe, Composite.

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are (1)Pab 1 1991; (2)Dec 31 1992; (3)Jan 31 1993; (4)Mar 31 1993; (5)Apr 30 1993; (6)May 31 1993; (7)Jun 30 1993; (8)Jul 31 1993; (9)Aug 31 1993; (10)Sep 30 1993; (11)Oct 31 1993; (12)Nov 30 1993; (13)Dec 31 1993; (14)Jan 31 1994; (15)Feb 28 1994; (16)Mar 31 1994; (17)Apr 30 1994; (18)May 31 1994; (19)Jun 30 1994; (20)Jul 31 1994; (21)Aug 31 1994; (22)Sep 30 1994; (23)Oct 31 1994; (24)Nov 30 1994; (25)Dec 31 1994.

A nine-day losing streak for the hard-pressed Bangkok stock market came to an end yesterday. The key SET index briefly clawed its way back above the 1,000 level before closing with a gain of 14.13 at 996.16.

ASIA PACIFIC

Bombay falls ahead of tax statement

A government statement on tax proposals failed to ease before the end of BOMBAY trading and the BSE 30 share index, 73 points down over Monday and Tuesday, dropped another 22.12 to 3,282.71 for a three-day loss of 3.8 per cent.

Electricals and high-tech leaders were out of favour, with the rise in the US semiconductor industry's book-to-bill ratio failing to spark interest in the recovery in the ratio was seen as due to technical factors, rather than a rise in orders.

Roundup

Heavy selling of resource stocks took SYDNEY lower, the All Ordinaries index closing 9.6 down at 2,248.5 as turnover climbed to A\$788m.

MANILA

MANILA's composite index fell 15.61 to 3,186.19 on continued fears of a US rate rise.

ment news, but buying was said to have slowed in late trading. Building shares had a good day with Der Pao Construction up T\$1.20 to T\$27.50. Electronics were mixed in spite of the rise in the US semiconductor book-to-bill ratio for August. Taiwan Semiconductor fell T\$1 to T\$53.50 and Macronix slid 60 cents to T\$34.10.

Tokyo

The Nikkei average ended 11.45 higher at 20,571.04, just below its high of 20,579.98, but after a low of 20,425.44. Turnover was about 334m shares, against 310m the previous day.

Retreating sectors

Retreating sectors were led by warehouses, miscellaneous manufacturers, rubber, communications and mining. Recent weakness in the yen lifted carmakers again with Mazda Y11 higher at Y330, and Honda up Y40 at Y2,670.

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Table with columns: REGIONAL MARKETS, US Dollar, Day's Change, % Change, Local Currency, Local Currency % Change, Monday September 9 1996, US Dollar, Day's Change, % Change, Local Currency, Local Currency % Change, DOLLAR INDEX, Year High, Year Low, Year Approx. Rows for Australia, Austria, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Hong Kong, India, Indonesia, Italy, Japan, Malaysia, Mexico, New Zealand, Norway, Philippines, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, United Kingdom, USA, Americas, Europe, Nordic, Pacific Basin, Euro-Pacific, North America, Europe Ex. UK, Pacific Ex. Japan, World Ex. US, World Ex. UK, World Ex. Japan, The World Index.



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